

## MUDRA

### Broad Eligibility Criteria for Partner Institutions

Micro Units Development & Refinance Agency Limited (MUDRA) has adopted the eligibility norms in respect of the partner lending institutions for the purpose of availing refinance from MUDRA for on-lending to micro units in manufacturing, trading and service sectors in rural and urban areas.

**Every bank should have signed the General Refinance Agreement (GRA) with MUDRA (the GRA format as approved by the Board)**

Refinance shall be provided for the following eligible loans upto Rs.20 lakh extended by the Bank:- Loans relating to micro/small business enterprises under income generating activities in respect of manufacturing, services, processing, trading or activities allied to agriculture/other activities (including tractors for commercial use and 2 wheelers for commercial use) identified/to be identified under PMMY scheme from time to time.

#### **1. Urban Co-operative Banks:**

##### **Eligibility criteria**

Urban Cooperative Bank should have been included in the Second Schedule of RBI Act 1934.

It should not be brought under Supervisory Action Framework of RBI in preceding 2 financial years and no monetary penalty should have been imposed in last three years.

##### **Benchmark for Sanction for UCBs:**

Sr No	Parameters	Indicator	Benchmark Norms	Relaxation Cap
1	Capital	CRAR in last 2 years	11.5%	No
2	Net Worth (Preceding Audited FY)	Net Worth (min)	₹ 100 crores	No
3	Asset Quality (Preceding Audited FY)	Gross NPA	<7%	No
		Net NPA	Not more than 3%	No
4	Earning	Profitability	Earned net profit in at least 3 out of the last 4 years. In case of a net loss in any of the years, the UCB should have registered an operating profit.	No

## **2. Public Sector Banks/Private Sector /Foreign Banks:**

Eligible limit shall be exposure limit approved on the basis of exposure framework for Banks. In addition, SFBs should have been granted final license by Reserve Bank of India (RBI) for carrying on business as Small Finance Bank and have commenced operations as a SFB.

The SFB/previous entity prior to conversion into SFB (taken together) should have earned profits during last 2 financial years.

## **3. Regional Rural Banks**

<b>Regional Rural Bank</b>	
Level Of NPA	Level of Net NPAs equal to or less than 10%.
Net Profit	Net profit for preceding 2 years.
CRAR	CRAR as stipulated by RBI.
Net-worth / NOF	Net worth above ₹ 50 crore.

Regional Rural Banks RRBs, not complying above conditions, shall be eligible for refinance from MUDRA subject to providing comfort letter from Sponsor Bank who will undertake to meet any liability of RRB that may arise on account of refinance assistance provided by MUDRA.

## **4. Small Finance Banks**

<b>Norms for Financial Assistance by way of Refinance to Small Finance Banks</b>		
A	<b>Eligible Institutions</b> <b>Small Finance Banks</b> [ <i>hereinafter referred to as "SFBs" or "Primary Lending Institutions"</i> ] meeting the following criteria: (i) Should have been granted final license by Reserve Bank of India (RBI) for carrying on Small Finance Bank business and have commenced operations of the Small Finance Bank. (ii) The SFB / previous entity prior to conversion into SFB (taken together) should have earned profits during past 2 years. Sanctioning committee may consider need based relaxation in respect of SFBs which have reported Net Loss during the previous and/ or current FY on merits of each case, provided they have a minimum BBB+ rating of long-term instrument.	
B	<b>Benchmarks for Sanction</b> Eligible limit shall be exposure limit approved on the basis of exposure framework for Banks.	
C	<b>Eligible Activities</b> Refinance shall be provided for the following eligible loans extended by the SFBs: (i) Loans relating to micro/ small business enterprises under income generating activities in respect of manufacturing, services, processing, trading or activities allied to agriculture/other activities identified/to be identified under PMMY scheme from time to time.	

D	<b>Extent of Refinance</b>	<p>(i) Amount equivalent to the outstanding portfolio of loans and advances (i.e., term loans and working capital advances) for eligible activities, against which no financial support / refinance has been sought/ availed from any other Banks/ Financial Institutions.</p> <p>(ii) For MUDRA Refinance Fund – Allocations – FY XX, SFBs to comply conditions:</p> <ul style="list-style-type: none"> <li>a) The loans eligible for refinance shall be the outstanding amount of loans disbursed by banks during the previous 12 months as on the date of request for refinance</li> <li>b) MUDRA may provide refinance to bank loans where loans disbursed in credit deficient districts by banks, where the final lending rate to the end borrower is up to 450 bps over the '10-year G-Sec yield'.</li> <li>c) MUDRA shall refinance in eligible credit deficient districts as per list issued by Reserve Bank from time to time.</li> <li>d) All Banks are eligible to avail Refinance for credit disbursed in credit deficient districts.</li> <li>e) Banks who have achieved PSL target for lending to Micro-enterprises are only allowed to avail refinance from MUDRA in case of credit extended in districts other than credit deficient districts as mentioned above. The list of banks (SCBs/SFBs) which have achieved their PSL target of micro-enterprises in FY 2019-20 shall be issued by RBI.</li> <li>f) The loans eligible for refinance in districts other than credit deficient districts will be those for which the final lending rate to the end borrower is up to 350 bps over the '10-year G-Sec yield'.</li> </ul> <p>(iii) The SFB shall submit a Certificate authenticating the list of borrowers / statement of book debts along with the end-use/purpose of loan, amount outstanding and age-wise break-up of overdues at the time of acceptance of Lol, before seeking disbursement.</p>
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E	<b>Period of refinance</b>	Not exceeding three years from the date of disbursement, with moratorium period of not exceeding 36 months. The repayment schedule may be fixed on case-to-case basis subject to maximum tenure of three years linked to maturity of the PSS Tranche. The repayments may be monthly/ quarterly/ half-yearly/ yearly/ Bullet. Interest will be serviced on the first day of every month.								
F	<b>Prepayment of refinance</b>	The SFB shall not prepay the outstanding principal amount of refinance in full or part thereof before the due dates except after obtaining prior approval of MUDRA in writing which may be granted subject to such conditions as MUDRA may deem fit including levy of interest on such prepayment, if required.								
G	<b>Rate of Interest</b>	PSS Fund – pricing to be decided based on the availability of tranche at the time of disbursement and as per RBI guidelines.								
H	<b>Processing Fee</b>	As per internal guidelines								
I (i)	<b>Security</b>	The SFB shall hold in trust all the securities including fixed assets, proceeds thereof, book debts, receivables, actionable claims, assignments, bills of exchange etc., obtained / to be obtained as security in respect of financial assistance made available to micro/small business enterprises, as above, by the SFBs for which the refinance support has been extended by MUDRA.								
I (ii)	<b>Collateral</b>	Scheduled SFBs – Not applicable								
J	<b>Processing fees and max default charges</b>	<p>The SFBs shall charge the processing fees and max default charges as given below to the ultimate beneficiaries</p> <p>(i) whose book debts are / will be hypothecated to MUDRA and (ii) Refinance by MUDRA is covered under Priority Sector Shortfall funds.</p> <table border="1"> <thead> <tr> <th>Type of fees / charges</th> <th>SFBs</th> </tr> </thead> <tbody> <tr> <td>Maximum. processing fee % (*)</td> <td>2%</td> </tr> <tr> <td>Upon Default, Maximum charges % (*)</td> <td>3% p.m on the overdue amount</td> </tr> <tr> <td colspan="2">*excluding taxes</td></tr> </tbody> </table>	Type of fees / charges	SFBs	Maximum. processing fee % (*)	2%	Upon Default, Maximum charges % (*)	3% p.m on the overdue amount	*excluding taxes	
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## 5. NBFC-MFI/ MFI

Sr. No.	Eligibility / Other Parameter	Small (AUM <= ₹100 Cr.)	Medium (AUM > ₹100 Cr. and <= ₹500 Cr.)	Large (AUM > ₹500 Cr.)
a.	Entity type	Registered Legal Entity (NBFC-MFI, Society, Trust etc.) To meet the parameters stipulated by RBI from time to time for being qualified as NBFC-MFI.		
b.	1. Profitable Track Record  2. Business Vintage	<p>In last 5 years, any three years should have profitable track record with cash profit in last 2 financial years.</p> <p>i. Three completed years in Micro Finance business.  ii. In order to consider proposals from such MFIs, which are promoted by experienced and resourceful professionals and / or are being backed by established PE funds, a pilot, with an exposure of ₹ 100 crore, shall be implemented, where MFIs, with two completed years in Micro Finance business, can be considered. The MFI should have operations in aspirational districts / LWE / North-east region, with a max single party exposure of ₹ 5 crore.</p>		
c.	Takeover existing Microfinance of	In case of NBFC-MFIs or any other MFI set up by taking over the existing MF operations of another entity, then, track record of the earlier entity can be considered for existence, past ratings etc.		
d.	NOF	Presently, Minimum Net Owned Funds (NOF) of ₹5 crore. For NBFC-MFIs registered in North Eastern Region of the country, the minimum NOF requirement shall stand at ₹2 crore, for both categories, as defined by RBI time to time.		
		NBFCs	Current NOF	By March 31, 2025
		NBFC-MFI	₹5 Cr. (₹2 Cr. in NE region)	₹7 Cr. (₹5 Cr. in NE region)
				By March 31, 2027
e.	Number of existing borrowers	Minimum 10,000	Minimum 30,000	Minimum 1,00,000
f.	Capacity Assessment Rating	Minimum Capacity Assessment Grading of mfr5 of CRISIL or equivalent	Minimum Capacity Assessment Grading of mfr4 of CRISIL or equivalent.	
g.	Internal Rating Norms	<p>i. Aggregate score of 45% in the Score Card for MFIs</p> <p>ii. Score of 60% in 7 MFI specific parameters, i.e. Asset quality, Gearing, NIM, RoA, Liability</p>		

		concentration, equity infusion and optimal/diversified mix of resources
h.	Grading for exposure above ₹ 25 crore	MFI should have undergone at least 3 grading with eligible investment grades as per MUDRA's/ SIDBI's guidelines at that time with the latest grade of at least MfR3.
i.	Bank Loan Rating	Should have Bank Loan Rating (BLR) with minimum acceptable investment rating in which the proposed lending from MUDRA shall be duly mentioned as part of current borrowings rated under the Rating  (BLR is applicable only to exposures above ₹5 crore.)
i.	Systems processes and	Should have suitable systems, processes and procedures such as internal accounting, risk management, internal audit, MIS, cash management, etc.
k.	CRAR	NBFC-MFIs – As stipulated by RBI from time to time, currently 15%. Other MFIs – 15%
l.	Compliance to RBI guidelines including pricing guidelines etc.	To comply with the guidelines issued by RBI from time to time.
m.	Recovery performance / Collection Efficiency	Average recovery performance/ Collection Efficiency not less than 95% for last 6 months.
n.	Portfolio at Risk (PAR) > 90 days (net)	Portfolio at Risk > 90 days (net) below 5% PAR is considered for last six months.
o.	Member of Credit Bureaus	Should be member of existing credit bureaus as notified by RBI from time to time.
p.	Minimum loan requirement	₹0.50 Cr.
q.	Uploading of data on MUDRA's Online Portal	Should be uploading the data on Performance and also NPA status on MUDRA's Online Portal / agree to upload the data at regular intervals
r.	Debt Equity Ratio	7:1 for NBFC MFIs 10:1 for non-NBFC MFIs

## 6. NBFC

Sl No.	Parameters	for Assets size >= ₹500 crore	for Assets size < ₹500 crore
1	Type of NBFC	<ul style="list-style-type: none"> <li>NBFC-Asset Finance Companies (AFC) / NBFC- Loan Companies (LC) i.e. Investment &amp; Credit Companies as per extant guidelines from RBI.</li> <li>Two Tier NBFCs extending loan / resource support to MFIs</li> </ul>	

		(both NBFC-MFIs and non-NBFC MFIs complying with RBI norms for NBFC-MFIs or priority sector status) for on lending to ultimate borrowers would also be considered (This category of NBFCs are eligible for assistance from Net owned funds only). <ul style="list-style-type: none"> <li>The NBFC should be registered with RBI as Asset Finance Company (AFC) or Loan Company (LC), rechristened as Investment &amp; Credit Company.</li> </ul>	
2	Track record	<ul style="list-style-type: none"> <li>NBFCs should be in current line of business (including those financing second hand vehicles) for 5 years and should have earned profit in any3 years out of 5 years with cash profit in last 2 financial years.</li> <li>In case of Fintech NBFCs, they should have at least two audited annual reports.</li> </ul>	
3	Net owned funds and Asset size	<ul style="list-style-type: none"> <li>Minimum Net owned fund of ₹20 crore and Minimum Asset size of ₹500 crore.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum Net owned funds of ₹15 crore and minimum Asset size of ₹25 crore.</li> <li>The NBFC normally has done lending business of at least ₹20 crore during the immediately preceding financial year. Suitable relaxation may be considered by sanctioning Committee for minimum lending business criteria.</li> </ul>
4	External Rating Norms	<ul style="list-style-type: none"> <li>External long term rating range of BBB+ and above.</li> <li>Need based relaxation up to BBB- may be considered by sanctioning Committee for NBFCs with asset size greater than ₹500 crore.</li> </ul> <p>In case the NBFC does not have the minimum eligible rating and the NBFC is agreeable to furnish a Guarantee of another NBFC/Corporate having an external rating of AA and above, relaxation in such cases may be considered by Sanctioning Committee. External rating to be monitored on quarterly basis.</p>	<ul style="list-style-type: none"> <li>External long term rating range of BB- and above.</li> </ul>
5	Internal rating Norm	(i) 60% in the Score Card and (ii) 50% in the score card for two tier NBFCs.	
6	CRAR	CRAR – Minimum of 15% or as stipulated by RBI	
7	DER	<= 7:1 (excluding off-balance sheet portfolio)	
8	Exposure norm	A per internal guidelines	
9	NPA Norm	The NPA norms would be taken care of while considering	

		<p>other parameters as below:</p> <ul style="list-style-type: none"> <li>i) Prudential rating: As applicable</li> <li>ii) Internal Scoring: As Applicable</li> <li>iii) No go criteria of rating score card: All No- go criteria of score card to be complied with.</li> </ul> <p>No relaxation in above criteria.</p>
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#### For PSS Funds-Additional eligibility Parameters for BBB (+) & BBB rated NBFCs

Sl No.	Parameters	Particulars
1	Track record	<ul style="list-style-type: none"> <li>• NBFCs should be in current line of business (including those financing second hand vehicles) for 5 years and should have earned profit in last 3 years with net profit in last 2 financial years.</li> <li>• In case of Fintech NBFCs, they should have at least two audited annual reports.</li> </ul>
2	Asset size	Minimum Asset size of ₹500 crore & above.
3	External Rating	Should be external rating of BBB(+) and BBB
4	CRAR	The NBFC should have CRAR of 25% for last three financial years.
5	NPA Norm	The NBFC should have average Net NPA of 3% for last three financial years.

