Ref. No. CGTMSE /44/   January 03, 2022

All Member Lending Institutions (MLIs) of CGTMSE

Circular No.191 / 2021 – 22

Madam / Dear Sir,

Clarification on Hybrid / Partial Collateral Security Model

Please refer to our Circular No.142/ 2017-18 date February 28, 2018 introducing a new "Hybrid Security" product under which Member Lending Institutions (MLIs) can obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility up to a maximum of ₹200 lakh can be covered under Credit Guarantee Scheme of CGTMSE.

CGTMSE has been receiving queries from various MLIs regarding the limit of the loan that can be sanctioned under Hybrid / Partial Collateral Security Model and also fee and claim calculation. It is clarified that there is no stipulation of maximum loan limit under the scheme. However, the maximum guarantee coverage would be ₹2 crore per borrower (₹1 crore under Retail and ₹50 lakh for RRBs). It may be mentioned that though some of the scenarios under Hybrid Model has been explained under FAQs available on CGTMSE website, some additional scenarios for fee and claim calculation has been given in the Annexure for more clarity in the matter.

The contents of this circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-

(Promod Bakshi)
Deputy General Manager

Scenario 1

<u>Guarantee Limit</u>

Term Loan

Loan Sanctioned: 2 Crore

Collateral value: 1 Crore

Maximum guarantee Coverage (2 crore less 1 Crore) = 1 Crore

<u>Fee Calculation</u>

Outstanding as on December 31 for Term Loan is 1. 8 Crore

Amount on which fee will be calculated:

1.8 (outstanding) – 1 (collateral Value) = 0.8 Crore

The fee will be calculated on 0.8 Crore

<u>Claim Limit</u>

Maximum Limit would be on which fee is paid = 0.8 Crore

Scenario 2

<u>Guarantee Limit</u>

Working Capital

Loan Sanctioned: 1.8 Crore

Collateral value: 1 Crore

Maximum guarantee Coverage (1.8 crore less 1 Crore) = 0.8 Crore

<u>Fee Calculation</u>

Expected Outstanding in case of Working Capital is 1.9 Crore

Amount on which fee will be calculated:

1.9 (outstanding) – 1 (collateral Value) = 0.9 Crore (guarantee cover is 0.8 crore)

The fee will be calculated on 0.8 Crore (subject to maximum of guarantee amount)

<u>Claim Limit</u>

Maximum Limit would be on which fee is paid = 0.8 Crore

Scenario 3

<u>Guarantee Limit</u>

Term Loan

Loan Sanctioned: 2 Crore

Collateral value: 1 Crore

Maximum guarantee Coverage (2 crore less 1 Crore) = 1 Crore

<u>Fee Calculation</u>

Outstanding as on December 31 for Term Loan is 1 Crore

Amount on which fee will be calculated:

1 (outstanding) – 1 (collateral Value) = 0

Therefore, no fee will be calculated, and case will be closed

Claim Limit

Case closed

Scenario 4

Guarantee Limit

Term Loan

Loan Sanctioned: 5 Crore

Collateral value: 1 Crore

Maximum guarantee Coverage = 2 Crore (since 2 crore is the maximum guarantee Limit. In case of RRB, it will be 50 lakh)

Fee Calculation

Outstanding as on December 31 is 4 Crore

Amount on which fee will be calculated:

4 (outstanding) – 1 (collateral Value) – 2 (unsecured Portion) = 1 Crore

The fee will be calculated on 1 Crore

Claim Limit

Maximum Limit would be on which fee is paid = 1 Crore

Scenario 5

Guarantee Limit

Term Loan

Loan Sanctioned: 5 Crore

Collateral value: 1 Crore

Maximum guarantee Coverage = 2 Crore (since 2 crore is the maximum guarantee Limit. In case of RRB, it will be 50 lakh)

Fee Calculation

Outstanding as on December 31 is 3 Crore

Amount on which fee will be calculated:

3 (outstanding) – 1 (collateral Value) – 2 (unsecured Portion) = 0

Therefore, No fee will be calculated and case will be closed

Claim Limit

Case closed

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