

All Member Lending Institutions (MLIs) of CGTMSE –
Credit Guarantee Scheme – I (CGS-I)

Circular No.208 / 2022 – 23

Madam / Dear Sir,

Modification in Annual Guarantee Fee Structure

Please refer to our Circular No. 139/ 2017-18 dated February 28, 2018 for charging of Annual Guarantee Fee on outstanding amount. In pursuit of revamp of Credit Guarantee Scheme to increase flow of credit to MSEs, it has been decided to bring down the cost of guarantee. Further, it has also been decided to bring loan given for Retail / Wholesale Trade at par with other activities. Accordingly, the revised the Annual Guarantee Fee (AGF) structure under Credit Guarantee Scheme (CGS -I) is given in the table below.

Slab	Standard Rate (SR)*	Fee Rate after Discount	Fee Rate with Risk Premium			
		(-10%)	15%	30%	50%	70%
0-10 lakh	0.75	0.68	0.86	0.98	1.13	1.28
Above 10-50 lakh	1.10	0.99	1.27	1.43	1.65	1.87
Above 50-2 crore	1.20	1.08	1.38	1.56	1.80	2.04

**AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility.
The standard rate is across all activity including trading activity.*

CGTMSE had engaged the services of external agency to carry out the analysis of the portfolio of CGTMSE. The agency, inter alia, has also categorized the MLIs based on critical factors such as NPA rate, claim rate, quick mortality ratio, netflows etc. Accordingly, depending on the degree of risk, MLI with better portfolio would be given the discount of 10% in standard rate whereas MLI with high risk associated would be charged maximum risk premium upto 70% of SR.



MLI shall be individually informed on the applicable risk premium/discount as the case maybe.

The above fee structure would be governed by the following:

1. In addition to above, following Categories have been identified for additional concession / relaxation in Standard Rate of guarantee fee as given in the table below.

Category	Social Category (Weaker Section/ Underserved Section)	Geographic	MSE Status
Target Group	Women/SC/ST	NER (Upto 50 Lakh)/ Aspirational District	ZED Certified
Relaxation/ Concession in Standard Rate	10%	10%	10%

- a. Women entrepreneurs/ SC/ST Borrowers would be given the discount of 10% on Standard Rate of fee.
 - b. Units in North East Region (incl Sikkim) upto ₹50 lakh would be given discount of 10% on Standard Rate of fee.
 - c. MSEs situated in Aspirational District would be given discount of 10% on Standard Rate of fee.
 - d. ZED Certified MSEs would be given discount of 10% on Standard Rate of fee.
 - e. An MSE falling in all the above three categories will be eligible for maximum discount of 30% on Standard Rate of fee.
2. MLIs newly registered/which do not have sufficient history of transactions under CGTMSE will be placed at 70% risk premium for a period of atleast 1 year.
 3. The review of Risk classification of MLI would be an annual exercise or at such interval as decided by the Trust. The review of Risk classification of MLI would be carried out by external agency or internally as decided by the Trust.
 4. The above revised fee structure shall be applicable to all the guarantees approved/ renewed on or after December 01, 2022

including enhancement in existing working capital account already covered under Guarantee Scheme.

5. The fee would be charged on outstanding basis i.e First fee (guarantee fee) would be charged on guarantee amount and subsequent fee (annual fee) would be charged on outstanding amount as per the existing Scheme guidelines.
6. The total exposure of the MSE would be considered to arrive at the slab of the borrower and accordingly, applicable fee would be charged on the guarantee/outstanding amount
7. The duration and process of calculation of annual guarantee fee shall remain same.

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

Yours faithfully,

Sd/-

(Dhiraj Kumar)
Asst General Manager