CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES

I. INTRODUCTION

The Board of Trustees of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), had framed a Scheme for the purpose of providing guarantees in respect of credit facilities extended by Lending Institutions to the borrowers in Micro and Small Enterprises (MSEs). The details of the Scheme are given below:

1. Title and date of commencement

(i) The Scheme shall be known as the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I) *[earlier known as Credit Guarantee Fund Scheme for Small Industries (CGFSI)].* Subsequent to the enactment of MSMED Act-2006, the Trust was renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises and scheme as Credit Guarantee Fund Scheme for Micro and Small Enterprises.

(ii) The Scheme had come into force from August 1, 2000 and had covered eligible credit facilities extended by the lending institutions to eligible borrowers effective from June 1, 2000.

(iii) The scheme was modified from time to time for ease of operations, enhancement of credit flow to MSE sector and to meet the requirements of the MSEs as well as Lending Institutions. The current document /scheme is updated as on **April 01, 2023**.

2. Definitions

For the purposes of this Scheme –

(i) **"Amount in Default"** means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan and amount of outstanding working capital facilities (including interest), as on the date of the account becoming NPA, or the date of lodgement of claim application whichever is lower or such other date as may be specified by CGTMSE for preferring any claim against the guarantee cover subject to a maximum of amount guaranteed.

(ii) **"Collateral security"** means the security provided in addition to the primary security, in connection with the credit facility extended by a lending institution to a borrower.

(iii) **"Credit facility"** means any financial assistance by way of term loan and / or fund based and non-fund based working capital (e.g. Bank

Guarantee, Letter of credit etc.) facilities extended by the lending institution to the eligible borrower. For the purpose of calculation of guarantee fee, the “credit facility extended” shall mean the amount of financial assistance committed by the lending institution to the borrower, whether disbursed or not. For the purpose of the calculation of Guarantee Fee, the credit facility extended shall mean the credit facilities (both fund and non-fund based) covered under CGS-I and for which guarantee fee has been paid, as at March 31, of the relevant year.

(iv) “**Eligible borrower”** means new or existing Micro and Small Enterprises to which credit facility has been provided by the lending institution without any collateral security and/or third party guarantees.

However, a “Hybrid / Partial Collateral Security” product allowing guarantee cover on credit facilities having collateral security, for the portion of credit facility not covered by collateral security (unsecured portion), has also been introduced by CGTMSE. In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, can be covered under Credit Guarantee Scheme of CGTMSE.

(v) **‘Guarantee Cover’** means maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution

(vi) **“Lending institution(s)”** means a commercial bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934, Regional Rural Banks, Scheduled Urban Co-operative Banks, Non-Scheduled Urban Co-operative Banks, State Co-operative Banks, District Central Co-operative Banks, Small Finance Banks and Microfinance Institutions as may be specified by the Trust from time to time, or any other institution(s) as may be directed by the Govt. of India from time to time. The Trust may, on review of performance, remove any of the lending institution from the list of eligible institution.

(vii) **“Material date” means th**e date on which the annual guarantee fee on the amount covered in respect of eligible borrower is paid/ credited to the Trust by the Member lending institution.

(viii) **“Non-Performing Assets”** means an asset classified as a non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.

(ix) **“Primary security”** in respect of a credit facility shall mean the assets created out of the credit facility so extended and/or **existing unencumbered assets** which are directly associated with the project or business for which the credit facility has been extended.

(x) **“Scheme”** means the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I)

(xi) **“SIDBI”** means the Small Industries Development Bank of India, established under Small Industries Development Bank of India Act, 1989 (39 of 1989).

(xii) **“Micro and Small Enterprises”** As per the MSMED Act, 2006 an “enterprise” means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services; and “Micro and Small Enterprises” are defined in 7.1.a.i) and ii) & in 7.1.b.i) and ii) of the said Act and amended from time to time.

(xiii) **“Tenure of guarantee cover”** means the maximum period of guarantee cover from Guarantee sanction date which shall run through the agreed tenure of the term credit and for a period of 5 years or block of a 5 years from Guarantee start date where working capital facilities alone are extended or loan termination date, whichever is earlier or such period as may be specified by the Trust.

(xiv) **“Trust”** means the Credit Guarantee Fund Trust for Micro and Small Enterprises set up by Government of India and SIDBI with the purpose of guaranteeing credit facility(ies), extended by the lending institution(s) to the eligible borrowers.

(xv) **“Third Party Guarantee”** means any guarantee obtained by a Member Lending Institution in connection with the credit facility extended by it to a borrower except from Sole-Proprietor in case of Sole Proprietary concern, Partners in case of partnership / limited liability partnership, Trustees in case of Trust, Karta & Coparceners in case of HUF and promoter directors in case of private/ public limited companies and owner of the immovable property in case of guarantee under Hybrid / Partial collateral security model.

II. SCOPE AND EXTENT OF THE SCHEME

3. Guarantees by the Trust

(i) Subject to the other provisions of the Scheme, the Trust undertakes, in relation to credit facilities extended to an eligible borrower from time to time by an eligible institution which has entered into the necessary agreement for this purpose with the Trust, to provide a guarantee on account of the said credit facilities.

(ii) The Trust reserves the discretion to accept or reject any proposal referred by the lending institution which otherwise satisfies the norms of the Scheme.

4. Credit facilities eligible under the Scheme

The Trust shall cover credit facilities (Fund based and/or Non fund based) extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility (i) not exceeding ₹50 lakh (Regional Rural Banks/select Financial Institutions/ Microfinance Institutions); (ii) not exceeding ₹200 lakh (Small Finance Banks (SFBs)) and Scheduled Urban Co-operative Banks (including Non-Scheduled Urban Co-operative Banks, State Co-operative Banks and District Central Co-operative Banks) (iii) not exceeding ₹500 lakh (Scheduled Commercial Banks, select Financial Institutions, by way of term loan and/or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and/or third party guarantees or such amount as may be decided by the Trust from time to time.

The registration criteria for Regional Rural Banks, Small Finance Banks, Scheduled Urban Co-operative Banks, other Co-operative Banks (Non-Scheduled Urban Co-operative Banks (NSUCBs), State Co-operative Banks (StCBs) and District Central Co-operative Banks), State Financial Corporation and Microfinance Institutions are given in *Annexure I*

The cap of ₹500 lakh is the maximum guarantee coverage limit (irrespective of the unit activity including Trading) per borrower based on the outstanding credit facilities and the borrowers can avail incremental credit facilities (i.e. to the extent of reduction in the outstanding exposure limit) under Credit Guarantee Scheme of CGTMSE, subject to maximum cap of ₹500 lakh. For the purpose of calculating the exposure limit on outstanding basis, the following shall be considered i) In respect of fully disbursed Term Loans, the outstanding as on the date of consideration of fresh coverage shall be considered; ii) In respect of partially disbursed Term Loans, the entire sanction amount shall be considered. In case, if the MLI proposes to cancel the undrawn portion of the sanctioned facility, MLI to update the same in CGTMSE portal; iii) In respect of Working Capital Limits, the total sanctioned amount of working capital limit (irrespective of the utilization) shall be considered.

Member Lending Institutions (MLIs) can apply for guarantee cover anytime during the tenure of Loan provided the credit facility was not restructured / remained in SMA2 status in last 1 year from the date of submission of application. The guideline was made effective from October 08, 2021 to only fresh coverage / credit facility applying for the first time for coverage i.e the same credit facility should not have been covered previously under CGTMSE / coverage discontinued in between.

Provided further that, as on the material date:

(i) Credit facility is standard and regular (not SMA) as per RBI guidelines and / or
(ii) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or
(iii) The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

Trading (Retail / Wholesale Trade) has been made eligible activity under CGTMSE for all MLIs (including RRBs). Also, Trading activity has been aligned with other activities in respect of the extent of coverage, ceiling of credit guarantee coverage and guarantee fee.

Educational / Training Institution also made eligible activity under Credit Guarantee Scheme of CGTMSE and would attract fee, extent of coverage and other terms and conditions as applicable under existing normal Scheme.

"Hybrid Security" product has been introduced where the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining unsecured part of the credit facility, upto a maximum of ₹500 lakh, can be covered under CGS-I. CGTMSE will, however, have notional second charge on the collateral security provided by the borrower for the credit facilities extended. Under the hybrid security product, there is no requirement for MLIs to create security / charge in favour of CGTMSE by way of legal documentation.

Credit facilities extended by more than one bank and/or financial institution jointly and/or separately to eligible borrower up to a maximum of ₹500 lakh per borrower subject to ceiling amount of individual MLI or such amount as may be specified by the Trust.

The information on total exposure of the borrower under CGTMSE and status of the account (NPA/Standard) are made available to the MLIs at no cost. System Path to access such information: MLI Login>> Reports & MIS>> Search History >> Enter ITPAN number of the chief promoter of the unit.

The guarantee cover will commence from the guarantee start date and shall run through the agreed tenure of the term credit in respect of term credit / composite credit. Where working capital alone is extended to the eligible borrower, the guarantee cover shall be for a period of 5 years or a block of 5 years or for such period as may be specified by the trust in this behalf. Guarantee for working capital account can be renewed after completion of initial 5 years block coverage. There is no maximum guarantee coverage period cap for working capital account.

Any credit facility which has been sanctioned by the lending institution with the interest charged as per the RBI guidelines would be eligible for coverage under CGS.

5. Credit facilities not eligible under the Scheme

The following credit facilities shall not be eligible for being guaranteed under the Scheme: -

(i) Any credit facility in respect of which risks are additionally covered under a scheme operated / administered by Deposit Insurance and Credit Guarantee Corporation or the Reserve Bank of India, to the extent they are so covered.

(ii) Any credit facility in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.

(iii) Any Credit facility shall not be eligible to covered under the Scheme if the said credit facility has been covered for guarantee through NCGTC Ltd.

(iv) Any credit facility, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which may, for the time being, be in force.

(v) Any credit facility granted to any borrower, who has availed himself of any other credit facility covered under this scheme or under the schemes mentioned in clause (i), (ii), (iii) and (iv) above, and where the lending institution has invoked the guarantee provided by the Trust or under the schemes mentioned in clause (i), (ii), (iii) and (iv) above, but has not repaid any portion of the amount due to the Trust or under the schemes mentioned in clause (i), (ii), (iii) and (iv) above, as the case may be, by reason of any default on the part of the borrower in respect of that credit facility.

(vi) Any credit facility which has been sanctioned by the lending institution against collateral security and / or third party guarantee. However, after the introduction of Hybrid Security model, MLIs can cover the unsecured part of the credit facility(ies) under CGTMSE upto the overall exposure of ₹500 lakh.

6. **Agreement to be executed by the lending institution**

A lending institution shall not be entitled to a guarantee in respect of any eligible credit facility granted by it unless it has entered into an agreement with the Trust in such form as may be required by the Trust for covering by way of guarantee, under the Scheme all the eligible credit facilities granted by the lending institution, for which provision has been made in the Scheme.

7. **Responsibilities of lending institution under the scheme:**

(i) The lending institution shall evaluate credit applications by using prudent banking judgement and shall use their business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.

(ii) The lending institution shall closely monitor the borrower account.

(iii) The lending institution shall safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition.

(iv) The lending institution shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Trust in the form and in the manner and within such time as may be specified by the Trust in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Trust facing higher guarantee claims.

(v) The payment of guarantee claim by the Trust to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by the Trust.

(vi) The lending institution shall comply with such directions as may be issued by the Trust, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Trust may deem fit and the lending institution shall be bound to comply with such directions.

(vii) The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trust in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trust. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trust as the guarantor. In particular, the lending institution should intimate the Trust while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s) or security. The lending institution shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without intimating the Trust. Further the lending institution shall secure for the Trust or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the Trust

8. Annual Guarantee Fee (AGF)

AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facilities as detailed below on all the guarantees approved/ renewed on or after April 01, 2023 including enhancement in existing working capital account already covered under Guarantee Scheme.

Slab	Standard Rate (SR)*	Fee Rate after Discount	Fee Rate with Risk Premium			
		(-10%)	15%	30%	50%	70%
0-10 lakh	0.37	0.33	0.43	0.48	0.56	0.63
Above 10-50 lakh	0.55	0.50	0.63	0.72	0.83	0.94
Above 50-1 crore	0.60	0.54	0.69	0.78	0.90	1.02
Above 1-2 crore	1.20	1.08	1.38	1.56	1.80	2.04
Above 2-5 crore	1.35	1.22	1.55	1.76	2.03	2.30

**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 various 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 Report on Applicable Risk Premium to MLI is made available in CGTMSE system. Visit CGTMSE login >> Reports and MIS >> Risk Premium Reports >> Select appropriate menu.

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 guarantee fee. The details as given in the table below.

Category	Social Category (Weaker Section/ Underserved Section)	Geographic	MSE Status
Target Group	Women/SC/ST / Person with disability (PwD)/ Agniveers	NER incl. Sikkim, UT of Jammu & Kashmir & UT of Ladakh (Upto ₹50 Lakh)/ Aspirational District	ZED Certified
Relaxation/ Concession in Rate	10%	10%	10%

a. Women entrepreneurs/ SC/ST/ Person with disability (PwD) Borrowers would be given the discount of 10%. Guarantee to the MSEs promoted by Agniveers shall also carry 10% relaxation in Annual Guarantee Fee.

   In case of PwD, the MLIs would require to obtain Disability Certificate(s) with regard to the promoter(s) issued by the competent authority while applying for guarantee coverage.

b. Units in North East Region (incl Sikkim) upto ₹50 lakh would be given discount of 10%.

c. MSEs situated in Aspirational District would be given discount of 10%.

d. ZED Certified MSEs would be given discount of 10%.

e. An MSE falling in all the above three categories viz. Social, Geographic, MSE Status shall be eligible for maximum discount of 30%.

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 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.

5. 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

6. The duration and process of calculation of annual guarantee fee shall remain same.

7. The various scenarios/calculations for charging of fee at different level of fee rate and risk rate including additional relaxation is illustrated in *Annexure II.*

8.1 Charging of fee on Outstanding basis

In case of term loans, AGF would be calculated on outstanding amount as on 31st December against each guarantee account and for working capital, AGF would be calculated on present / expected Outstanding as provided by MLI. The various scenarios for updation of Outstanding, charging of fee and coverage limit for Working Capital & Term Loan is given at *Annexure III*

For cases covered under Hybrid Security Model, Guarantee fee will be charged on the guaranteed amount for the first year and on the outstanding amount after netting off collateral value and unsecured portion, if any, subsequently resulting in lower annual guarantee fee charged to MSEs. Please refer *Annexure IV* on various scenarios for fee and claim calculation given at different sanctioned amount, collateral value and outstanding amount.

Online module for updating the outstanding amount in respect of eligible guaranteed loan accounts is made available between January 01- January 15 every year.

8.2 Payment of AGF

(i) Annual Guarantee fee (first time fee) shall be paid to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of credit facility **(not applicable for Working capital)** or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is later ***or such date as specified by the Trust.***

(ii) The Annual Guarantee fee (subsequent to first time fee) at specified rate (as specified above) ***on pro-rata basis for the first and last year and in full for the intervening years*** would be generated by 1st week of February every year. AGF so demanded would be paid by the MLIs on or before 30th March each year or any other specified date by CGTMSE, of every year.

Provided further that in the event of non-payment of annual service / guarantee fee within the stipulated time or such extended time that may be agreed to by the Trust on such terms, liability of the Trust to guarantee such credit facility would lapse in respect of those credit facility against which the service charges / fee are due and not paid.

Provided further that, the Trust may consider renewal of guarantee cover for such of the credit facility upon such terms and conditions as the Trust may decide.

In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee / annual service fee, such deficiency / shortfall shall be paid by the eligible lending institution to the Trust together with interest on such amount at a rate of four per cent over and above the Bank Rate, or as may be prescribed by the Trust from time to time. Any amount found to have been paid in excess would be refunded by the Trust. In the event of any representation made by the lending institution in this regard, the Trust shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution.

(iii) The amount equivalent to the annual guarantee fee and / or the service fee payable by the eligible lending institution may be recovered by it, at its discretion from the eligible borrower.

The annual guarantee fee and / or annual service fee once paid by the lending institution to the Trust is non-refundable except under certain circumstances like –

- Excess remittance,
- Remittance made more than once against the same credit application,
- Annual Guarantee fee & or annual service fee not due,
- Annual Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.
- In case of pre-closure / request for refund, refund of proportionate annual guarantee fee (GF/AGF/ASF) will be allowed only where closure is marked in CGTMSE system / refund request is within 3 months from the date of receipt of fee by CGTMSE. To claim refund in case of pre-closure, it is mandatory to mark closure of account in the system using menu: Guarantee maintenance >> Request for closure. Any pre-closure marked / refund request received after 3 months from the date of receipt of fee by CGTMSE would not be considered.

8.3 Payment process

CGTMSE has introduced new online payment process for receiving the annual guarantee fee payment through NEFT/RTGS to enable the Trust to further improve the guarantee coverage process. The two step process for fee remittance towards guarantee fee / annual fee is given below:

1. System Path: Member Login >> GF Payment or ASF Payment >> Allocate >> Select CGPAN/DANS >> Next >> RP is created by System.

2. After that, go to GF Payment or ASF Payment >> Initiate payment >> Select the RP >> Account Nos, Final Amount for payment & IFSC code is displayed for payment purpose

   MLI can cancel / Modify the RP before making the final payment if so required using path : System Path: Member Login >> GF Payment or ASF Payment >> Modify/cancel RP No or Pay_ID
   Annual Guarantee Fee (AGF) demanded by the Trust is inclusive of applicable GST.

8.4 Revival of closed accounts

If the guaranteed account gets closed due to non-payment of AGF, the guarantee under the scheme shall not be available and request for revival of accounts/ delayed payment will be considered subject to the following conditions:

(i) Request for revival of account will have to be submitted within next financial year.

(ii) Account should be standard and regular as on date of submission of request for revival and the Trust reserves the right to reject the claim if the account turns NPA within 180 days from the date of revival of account.

(iii) Any fee due by the MLI (current and previous FY) will be demanded along with penal interest (@ 4% over Bank Rate, per annum) and additional risk premium @15% of standard rate or at such rates specified by the Trust from time to time, for the period of delay.

III. GUARANTEES

9. Extent of the Guarantee Coverage

The Trust shall provide Guarantee as under for guarantees approved on or after April 01, 2023 (excluding enhancement of existing working capital account already covered under Guarantee Scheme).

The Extent of Guarantee Coverage

<table>
<tr><th rowspan="3">Category
(including Trading activity)</th><th colspan="3">Maximum extent of Guarantee Coverage</th></tr>
<tr><th colspan="3">where credit facility is</th></tr>
<tr><th>Upto ₹ 5 lakh</th><th>Above ₹ 5 lakh & upto ₹ 50 lakh</th><th>Above ₹ 50 lakh & upto ₹ 500 lakh</th></tr>
<tr><td>Micro Enterprises</td><td>85%</td><td>75%</td><td rowspan="2">75%</td></tr>
<tr><td>MSEs located in North East Region (incl. Sikkim, UT of Jammu & Kashmir & UT of Ladakh)</td><td colspan="2">80%</td></tr>
<tr><td>Women entrepreneurs / SC/ST entrepreneurs / Person with Disability (PwD)/ MSE promoted by Agniveers / MSEs situated in Aspirational District / ZED certified MSEs</td><td colspan="3">85%</td></tr>
<tr><td>All other category of borrowers</td><td colspan="3">75%</td></tr>
</table>

In case of renewal /enhancement of existing Working Capital accounts engaged in Trading activity which is already covered under Guarantee Scheme, the revised extent of coverage & fee shall be applicable.

All proposals for sanction of guarantee approvals for credit facilities above ₹50 lakh will have to be rated internally by the MLI and should be of investment grade.

Extent of guarantee for already existing **cases approved before April 01, 2023** would continue to apply as per the details in the table given below:

<table>
<tr><td>Guarantees approved on or after December 01, 2022</td><td>
<table>
<tr><th rowspan="3">Category
(including Trading activity)</th><th colspan="3">Maximum extent of Guarantee Coverage</th></tr>
<tr><th colspan="3">where credit facility is</th></tr>
<tr><th>Upto ₹ 5 lakh</th><th>Above ₹ 5 lakh & upto ₹ 50 lakh</th><th>Above ₹ 50 lakh & upto ₹ 200 lakh</th></tr>
<tr><td>Micro Enterprises</td><td>85%</td><td>75%</td><td rowspan="2">75%</td></tr>
<tr><td>MSEs located in North East Region (incl. Sikkim, UT of Jammu & Kashmir & UT of Ladakh)</td><td colspan="2">80%</td></tr>
<tr><td>Women entrepreneurs /</td><td colspan="3">85%</td></tr>
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<table>
<tr><td>SC/ST entrepreneurs / Person with Disability (PwD)/ MSE promoted by Agniveers / MSEs situated in Aspirational District / ZED certified MSEs</td><td></td></tr>
<tr><td>All other category of borrowers</td><td>75%</td></tr>
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</tr>
<tr>
<td>for cases sanctioned on or after April 01, 2018 and Guarantees approved before December 01, 2022

(Circular No.140/2017-18 dated February 28, 2018)</td>
<td></td>
<td>
<table>
<tr><th rowspan="2">Category</th><th colspan="3">Maximum extent of Guarantee where credit facility is</th></tr>
<tr><th>Upto ₹ 5 lakh</th><th>Above ₹ 5 lakh & upto ₹ 50 lakh</th><th>Above ₹ 50 lakh & upto ₹ 200 lakh</th></tr>
<tr><td>Micro Enterprises</td><td>85%of the amount in default subject to a maximum of ₹ 4.25 lakh</td><td>75% of the amount in default subject to a maximum of ₹ 37.50 lakh</td><td rowspan="2">75% of the amount in default subject to a maximum of ₹ 150 lakh</td></tr>
<tr><td>Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility upto ₹ 5 lakh to micro enterprises)</td><td colspan="2">80% of the amount in default subject to a maximum of ₹ 40 lakh</td></tr>
<tr><td>All other eligible category of borrowers</td><td colspan="3">75% of the amount in default subject to a maximum of ₹ 150 lakh.</td></tr>
<tr><td>MSE Retail Trade / Wholesale Trade (upto ₹100 lakh)</td><td colspan="3">50% of the amount in default subject to a maximum of ₹ 50 lakh.</td></tr>
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<tr>
<td>Guarantees approved on or after 16/12/2013 and cases sanctioned before April 01, 2018

(Circular No. 70 / 2013- 14 dated</td>
<td colspan="2">
<table>
<tr><th rowspan="2">Category</th><th colspan="3">Maximum extent of Guarantee where credit facility is</th></tr>
<tr><th>Upto ₹ 5 lakh</th><th>Above ₹ 5 lakh & upto ₹ 50 lakh</th><th>Above ₹ 50 lakh & upto ₹ 200 lakh</th></tr>
<tr><td>Micro Enterprises</td><td>85%of the amount in default subject to a maximum of ₹ 4.25 lakh</td><td>75% of the amount in default subject to a maximum of ₹ 37.50 lakh</td><td>50% of the amount in default subject to a maximum of ₹ 100 lakh</td></tr>
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December 16, 2013)	Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility upto ₹ 5 lakh to micro enterprises)	80% of the amount in default subject to a maximum of ₹ 40 lakh	
	All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹ 37.50 lakh.	

	Category	Maximum extent of Guarantee where credit facility is		
		Upto ₹ 5 lakh	**Above ₹ 5 lakh & upto ₹ 50 lakh**	**Above ₹ 50 lakh & upto ₹ 200 lakh**
Guarantee sanctioned on or after 02/01/2009 (Circular No. 51 / 2008- 09 dated January 16, 2009)	Micro Enterprises	85%of the amount in default subject to a maximum of ₹ 4.25 lakh	75% of the amount in default subject to a maximum of ₹ 37.50 lakh	Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh
	Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility upto ₹ 5 lakh to micro enterprises)	80% of the amount in default subject to a maximum of ₹ 40 lakh		Rs.40 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.65 lakh
	All other eligible category of borrowers	75% of the amount in default subject to a maximum of ₹37.50 lakh.		Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh

IV. CLAIMS

10. Invocation of guarantee

NPA marking

The Member Lending Institutions (MLIs) are required to inform the date on which the account was classified as NPA in a particular calendar quarter, by end of subsequent quarter using the following option in the online system.

(Member Login area >> Guarantee Maintenance >> Periodic Information >> NPA Details)

(i) The lending institution may invoke the guarantee in respect of credit facility within a maximum period of 3 years from the NPA date or lock-in period whichever is later, if the NPA date is on or after 15/03/2018. (For NPAs prior to 15/03/2018, time period for claim lodgement will be 1 year for cases sanctioned prior to 01/01/2013 and 2 years for cases sanctioned after 01/01/2013), if the following conditions are satisfied: -

a. The guarantee in respect of that credit facility was in force **at the time of account turning NPA**.

b. The lock-in period of 18 months from either the date of last disbursement of the loan to the borrower or the guarantee start date in respect of credit facility to the borrower, whichever is later, has lapsed.

c. The amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as Non-Performing Assets. Provided that the lending institution shall not make or be entitled to make any claim on the Trust in respect of the said credit facility if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by the Trust.

d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recall notice under SARFAESI Act 2002 cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CGS. MLIs are advised to take further action as contained in Section 13 (4) of the SARFAESI Act 2002 wherein a secured creditor can take recourse to any one or more of the recovery measures out of the four measures indicated therein before submitting claims for first instalment of guaranteed amount. In case the MLI is not in a position to take any of the action indicated in Section 13(4) of the aforesaid Act, they may initiate fresh recovery proceeding under any other applicable law and seek the claim for first instalment from the Trust.

e. However, in case of claims lodged on or after March 14, 2018, initiation of legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities having aggregate outstanding up to ₹50,000/-, subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the Member Lending Institution (MLI) headed by an Officer not below the rank of General Manager should examine all such accounts and take a decision for not initiating legal action, and for filing claim under the Scheme.

   In respect of claims lodged on or after October 08, 2021, the threshold for waiver of legal action has been increased to ₹1,00,000/- subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the Member Lending Institution (MLI) headed by an Officer not below the rank of Assistant General Manager should examine all such accounts and take a decision for not initiating legal action.

   In respect of claims lodged on or after January 02, 2023, the threshold for waiver of legal action has been increased to ₹5,00,000/- subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the Member Lending Institution (MLI) headed by an Officer not below the scale V of MLI, should examine all such accounts and take a decision for not initiating legal action.

   In respect of claims lodged on or after April 01, 2023, the threshold for waiver of legal action has been increased to ₹10,00,000/-.

f. Claims of the respective MLI will be settled to the extent of 2 times of the fee including recovery remitted during the previous financial year. Any claim lodged / received exceeding 2 times of the total fee including recovery remitted by MLI will be suspended till such time the position is remedied i.e. payout is brought within the payout cap limit.

(ii) The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Trust in this behalf.

(iii) The Trust shall pay 75 per cent of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. The Trust shall pay to the lending institution interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred. As per CGTMSE circular No 62 and 135, for loans sanctioned on or after 01/01/2013, the balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned. MLIs, however, should undertake to refund any amount received from the unit after payment of full guaranteed amount by CGTMSE.

MLIs have option for Single instalment of claim settlement with reduced extent of guarantee by 15% (in respect of extent of coverage of 75%, reduced coverage would be 60%, 80% would be 65% and likewise) where waiver of legal action is applicable.

(iv) In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to the Trust before it claims the remaining 25 per cent of the guaranteed amount.

(v) The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust to the date of refund of the claim.

(vi) MLIs can update, allocate and remit the recoveries/ OTS amount received post settlement of first instalment of claim in the CGTMSE portal. In the Recovery Module, MLIs can allocate the CGPANs to generate RP Number and initiate payment by generating Virtual Account Number for remitting recovery related payment to CGTMSE. System Path: Receipts & Payment >> Recovery through NEFT/RTGS >> Update Recovery info. (Circular No.171/2020-21 and 113/ 2016-17 dated July 03, 2020 and May 12, 2016 respectively).

(vii) While online lodgement of first claim, MLIs have to submit the Declaration & Undertaking (D& U) electronically along with the checklist displayed in the system.

The Guarantee Claim received directly from the branches or offices other than respective operating-offices of MLIs through hardcopy will not be entertained.

Settlement of second / final instalment

The settlement of second / final instalment will be considered on conclusion of recovery, irrespective of the sanction date of the credit facility. With regards to conclusion of recovery proceedings, following four scenarios as applicable and certified by the concerned authority of the MLI is considered as conclusion of recovery proceedings provided minimum period of 3 years from the date of settlement of first claim has been lapsed.

a. If legal action is initiated only under SARFAESI Act and whatever assets available were sold off and the amount is remitted to the Trust. Also, the borrower is not traceable and the Networth of the Personal Guarantor is not worth pursuing further legal course.

b. If amount is recovered through sale of assets under SARFAESI and no other assets are available and legal action is taken under any forum such as RRA, Civil Court, Lok Adalat or DRT where there is no further means to recover the money from the borrower and the Networth of the Personal guarantor is significantly eroded.

c. If no assets are available and the borrower is absconding, and the Networth of the Personal guarantor is significantly eroded.

d. If no assets are available and the legal action is withdrawn as the borrower is absconding and it may not be worth pursuing legal action.

As per CGTMSE circular No 62 and 135, for loans sanctioned on or after 01/01/2013, the balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. However, in cases where the legal action has been initiated under SARFAESI Act or RRA, the MLIs may be allowed to lodge 2nd claim after the lapse of three years from date of action under Section 13(4) of SARFAESI Act and the date of Recovery Certificate issued by the Tehsildar respectively subject to following confirmation from the MLIs:

a. Personal Guarantees have been invoked and no further recovery is possible.

b. No tangible secured assets have been left for disposal and no further recovery is possible.

c. The entire recoveries made in the account have been duly indicated in the 2nd claim application/have been passed on to CGTMSE.

Second instalment of claim settlement in respect of accounts where legal waiver has been granted:

MLIs are given two options for claim settlement at the time of claim lodgment for cases where waiver of legal action is applicable. The details are as under:

Option 1: Single instalment of claim settlement with reduced extent of guarantee by 15%. Eg: in respect of extent of coverage of 75%, reduced coverage would be 60%, 80% would be 65% and likewise .

Option 2: Existing claim settlement process in two instalments i.e. 75% of eligibility amount as first instalment & balance 25% as second instalment. For legal waiver accounts, second instalment of claim -would be settled after three years from the date of settlement of 1st claim or OTS whichever is earlier.

Lodgement of 2nd / final claim application
(Circular No 175/2020-21 dated December 29, 2020)

- MLI needs to first update and remit the recovery amount before submitting the 2nd / final claim application on CGTMSE portal.
- Apply for 2nd / final claim using path: Claim processing >> Claim for >> Second Instalment >> provide CGPAN/Claim Reference No >> Fill the Form.
- MLI Checker Approval required, use path : Claim processing >> Second Claim Checker List >> Approve >> Unique Second claim reference No is generated >> Claim received at CGTMSE end for processing.

11. Subrogation of rights and recoveries on account of claims paid

(i) The lending institution shall furnish to the Trust, the details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time. The lending institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the lending institution.

(ii) In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

(iii) Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

(iv) MLIs are required to provide a certificate from their Statutory Auditors in respect of remittance of recoveries made, post settlement of claims. MLIs can obtain the recovery certificate duly authenticated by their Head of Audit Department / Zonal/Regional Offices confirming remittance of entire recoveries netting off legal expenses, if any, and including refund of 1st claim, if any, to CGTMSE during the FY as per the format attached as *Annexure V*. Head Office of the respective MLI may consolidate the information so received from their MLIDs/Regional/Zonal/Circle Offices and submit the final consolidated certificate to CGTMSE duly signed by an authorized official not below the rank of General Manager. Such certificate for a particular FY must be submitted by MLIs by September 30th of the succeeding year.

V. MISCELLANEOUS

12. Appropriation of amount received from the lending institutions

The amount received from the lending institutions shall be appropriated in the order in which the service fee / annual guarantee fee, penal interest and other charges have fallen due. If the service fee / annual guarantee fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards service fee / annual guarantee fee and then towards the penal interest and finally towards any other charges payable in respect of the eligible credit facility.

13. Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked.

Where subsequent to the Trust having released a sum to the lending institution towards the amount in default in accordance with the provisions contained in the Section 10 of this scheme, the lending institution recovers money subsequent to the recovery proceedings initiated by it, the same shall be deposited by the lending institution with the Trust, after adjusting towards the legal cost incurred by it for recovery of the amount. The Trust shall appropriate the same first towards the pending annual service fee / annual guarantee fee, penal interest, and other charges due to the Trust, if any, in respect of the credit facility towards which the amount has been recovered by the lending institution, and the balance, if any, shall be appropriated in such a manner so that losses on account of deficit in recovery of the credit facility between the Trust and the lending institution are in same proportion in which guarantee has been extended.

14. Trust's liability to be terminated in certain cases

(i) If the liabilities of a borrower to the lending institution on account of any eligible credit facility guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.

(ii) If a borrower becomes ineligible for being granted any credit facilities under the Scheme, by reason of cessation of his activity or his undertaking ceasing to come within the definition of a MSE unit, the liability of the Trust in respect of any credit facilities granted to him by a lending institution under the Scheme shall be limited to the liability of the borrower to the lending institution as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of the Trust fixed under this Scheme. However, notwithstanding the death or retirement of a partner where the borrower is a partnership firm or the death of one of the joint borrowers, if the lending institution is entitled to continue the credit facilities to the surviving partner or partners or the surviving borrower or borrowers, as the case may be and if the credit facilities have not already become non-performing asset, the guarantee in respect of such credit facilities shall not to be deemed to be terminated as provided in this paragraph.

15. Returns and Inspections

The lending institution shall submit such statements and furnish such information as the Trust may require in connection with any credit facility under this Scheme.

(i) The lending institution shall also furnish to the Trust all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.

(ii) The Trust shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the lending institution, and of any borrower from the lending institution. Such inspection may be carried out either through the officers of the Trust or of SIDBI (in case of Institutions other than SIDBI) or any other person appointed by the Trust for the purpose of inspection. Every officer or other employee of the lending institution or the borrower, who is in a position to do so, shall make available to the officers of the Trust or SIDBI or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.

16. Conditions imposed under the Scheme to be binding on the lending institution

(i) Any guarantee given by the Trust shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.

(ii) The lending institution shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but notwithstanding any provision in any other document or contract, the lending institution shall in relation to the Trust be bound by the conditions imposed under the Scheme.

17. Modifications and exemptions

(i) The Trust reserves to itself the right to modify, cancel or replace the scheme so, however, that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.

(ii) Notwithstanding anything contained herein, the Trust shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been issued as on the date of such alteration.

(iii) In the event of the Scheme being cancelled, no claim shall lie against the Trust in respect of facilities covered by the Scheme, unless the provisions contained in Clause (i) and (ii) of Section 10 of the Scheme are complied with by the lending institution prior to the date on which the cancellation comes into force.

18. Interpretation

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith, the decision of the Trust shall be final.

19. Supplementary and general provisions

In respect of any matter not specifically provided for in this Scheme, the Trust may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

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Annexure I

Registration Criteria for various MLI Type

A. Re-registration Criteria for **Regional Rural Banks (RRBs)**
   - RRB should have a CRAR of not less than 9%.
   - Net NPAs below 5% of advances
   - No regulatory defaults
   - RRBs, which are being / have been merged to form the new entity, should have been assessed by NABARD as "Sustainably Viable" or "Currently Viable" as per the latest available list prior to their merger.
   - Positive net worth as per audited Balance Sheet post-merger and provided there are no carry forward losses in the Balance sheet of the newly formed entity (RRB) post-merger.

B. Registration Criteria for **Small Finance Banks (SFBs)**
   - Should be a scheduled Small Finance Bank.
   - Should have a minimum networth of ₹100 crore.
   - Should have an external Credit rating of BBB and above or equivalent.
   - Should have CRAR as prescribed by RBI.
   - Should have net profit for at least three previous financial years as Non-Banking Financial Companies (NBFC), Micro-Finance Institutions (MFI) and Local Area Banks (LAB) as the case may be.
   - Should be compliant with CRR/SLR requirements as per RBI guidelines.
   - Should not have any regulatory and supervisory concerns.

C. Registration Criteria for **Scheduled Urban Co-operative Banks (SUCBs)**
   - Demand & Time Liabilities (DTL) of not less than ₹750 crore on a continuous basis for one year;
   - CRAR of minimum 12%;
   - Continuous net profit for the previous three years;
   - Gross NPAs of 5% or less;
   - Compliance with CRR / SLR requirements; and
   - No major regulatory and supervisory concerns

D. Registration Criteria for **Non- Scheduled Urban Co-operative Banks (NSUCBs), State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs)**

- CRAR of minimum 9%;
- Net profit during the last completed FY;
- Gross NPAs of 5% or less;
- Compliance with CRR / SLR requirements; and
- No major regulatory and supervisory concerns

E. Registration Criteria of **State Financial Corporation (SFC)**

- Positive Networth;
- CRAR of minimum 12 per cent;
- Gross NPAs upto a maximum of 10%;
- No overdues to SIDBI;

F. Registration Criteria of **Microfinance Institution (MFI)**

- Should have been undertaking micro finance operations for at least 36 months.
- Prudential grading of upto MfR5
- Minimum CRAR 15%
- Debt Equity Ratio not more than 10:1
- Portfolio at Risk >90 days (AUM) should be less than 5%
- Minimum Asset Size of ₹100 crore

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Annexure II

Sample Scenarios for Charging of fee at different Rate/Risk Premium/Concession

1) In case the MLI falls under the category of 'Standard Rate plus Risk Premium of 15% on Standard Rate', The fee rate for a guarantee of ₹10 lakh would be:

>> In case MLI fall under the category of 'Standard Rate plus Risk Premium of 15% on Standard Rate', the applicable fee rate for a guarantee coverage of ₹10 lakh would be 0.86%

2) In case the MLI falls under the category of 'Standard Rate plus Risk Premium of 15% on Standard Rate', the fee rate for a guarantee coverage of credit facility of ₹10 lakh where the unit is having an existing credit facility already covered for ₹20 lakh under CGTMSE would be:

>> In case MLI fall under the category of 'Standard Rate plus Risk Premium of 15% on Standard Rate', considering the total exposure of ₹30 lakh, the applicable fee rate for a guarantee coverage of ₹10 lakh would be 1.27%

3) In case the MLI fall under the category of 'Standard Rate with discount of 10% on Standard Rate', the fee rate for a guarantee of ₹10 lakh would be:

>> In case MLI fall under the category of 'Standard Rate with discount of 10% on Standard Rate', the applicable fee rate for a guarantee coverage of ₹10 lakh would be 0.68%

4) In case the MLI fall under the category 'Standard Rate plus Risk Premium of 15% on Standard Rate', the fee rate for Women Entrepreneur for a guarantee of ₹10 lakh would be:

>> The applicable fee rate for a guarantee coverage of ₹10 lakh would be 0.78%. The detailed Calculation is as follows

Particulars	Rate
Guarantee Amount	10 lakh
Standard Rate (SR)	0.75%
MLI's Risk rating	Standard Rate plus Risk Premium of 15% on Standard Rate
Additional Concession to Special Category – Women Entrepreneur	10%
Applicable Fee: Standard rate: 0.75 10% concession on SR: 0.68 Risk Premium 15% on 0.68: 0.78	0.78%

5) In case the MLI fall under the category 'Standard Rate plus Risk Premium of 50% on Standard Rate', the fee rate for Unit located in Aspirational District & ZED certified Unit for a guarantee of ₹10 lakh would be:

>> The applicable fee rate for a guarantee coverage of ₹10 lakh would be 0.90%. The detailed Calculation is as follows

Particulars	Rate
Guarantee Amount	10 lakh
Standard Rate (SR)	0.75%
MLI's Risk rating	Standard Rate plus Risk Premium of 50% on Standard Rate
Additional Concession to Special Category – Aspirational District & ZED certified Unit	20%
Applicable Fee: Standard rate: 0.75 20% concession on SR: 0.60 Risk Premium 50% on 0.68: 0.90	0.90%

6) In case the MLI fall under the category 'Standard Rate plus Risk Premium of 30% on Standard Rate', the fee rate for Unit located in Aspirational District, SC/ST Entrepreneur & ZED certified Unit for a guarantee of ₹10 lakh would be:

>> The applicable fee rate for a guarantee coverage of ₹10 lakh would be 0.90%. The detailed Calculation is as follows

Particulars	Rate
Guarantee Amount	10 lakh
Standard Rate (SR)	0.75%
MLI's Risk rating	Standard Rate plus Risk Premium of 30% on Standard Rate
Additional Concession to Special Category – Unit located in Aspirational District, SC/ST Entrepreneur & ZED certified Unit	30%
Applicable Fee: Standard rate: 0.75 30% concession on SR: 0.52 Risk Premium 30% on 0.68: 0.68	0.68%

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Annexure III

Charging of fee on outstanding for WC /TL accounts

S No	Particulars	Guideline / Clarification
Working Capital (WC) account		
1	What Outstanding is to be updated?	Present / Expected Outstanding is to be updated (subject to maximum of guarantee amount). Updated Outstanding will be treated as Guarantee amount and Fee shall be charged on such Outstanding only.
2	What in case outstanding is negligible / NIL?	No fee will be charged for NIL outstanding and the account will be closed.
3	What in case MLI missed to update outstanding?	Fee shall be charged on last year's outstanding / Guarantee Amount.
4	What outstanding to be updated where WC is not availed in last FY?	Expected Maximum Outstanding may be updated for calculation of fee amount. (subject to maximum of guarantee amount)
5	Maximum Claim Limit	Maximum eligible limit for claim shall be the outstanding on which fee is paid.
6	In case of Hybrid Model, what outstanding amount is to be updated?	Present / expected outstanding without deducting collateral value (as the collateral value will be deducted by our system from the updated outstanding for calculation of guarantee fee). It is subject to maximum of guarantee amount.
7	In case of Hybrid Model, how is the fee calculated?	Fee is calculated on derived outstanding by netting off collateral value (as provided by MLI) from the updated outstanding. It is subject to maximum of guarantee amount. Derived O/s for fee generation = Present / expected outstanding **less** collateral value mentioned at the time of guarantee coverage.
8	What if the Outstanding updated / derived is greater than Guarantee amount?	Fee will be charged on Guarantee amount. In case MLI need to avail higher guarantee, it can be done so by enhancing the guarantee limit
9	Can Outstanding amount be Higher than amount provided last year?	Yes. Claim and fee will subject to maximum of guarantee amount.
Term Loan (TL) account		
10	What Outstanding is to be updated?	Principal outstanding amount as on 31st December.
11	What in case outstanding is negligible / NIL?	No fee will be charged for NIL outstanding and the account will be closed.
12	What in case MLI missed to update outstanding?	Fee shall be charged on last year's outstanding / Guarantee Amount.

13	Maximum Claim Limit	Maximum eligible limit for claim shall be the outstanding on which fee is paid.
14	If the TL is undisbursed/ partially disbursed, how is the AGF calculated?	In case of undisbursed/ partially disbursed TL, fee shall be generated on Guarantee amount (including Hybrid case).
15	Can Outstanding amount be Higher than amount provided last year?	No, in case of fully disbursed TL, the outstanding cannot be higher than outstanding updated last year. However, in case of undisbursed/ partially disbursed Term Loans, system will allow feeding higher o/s amount as compared to last year.
16	In case of Hybrid Model, what outstanding amount is to be updated?	Actual principal outstanding as on 31st December without deducting the collateral value.
17	In case of Hybrid Model, how is the fee calculated?	Fee is calculated on derived outstanding by netting off collateral value from the outstanding as provided by MLI. Derived outstanding for fee generation = Actual principal outstanding as on 31st December **less** collateral value as mentioned at the time of guarantee coverage.
18	What if the Outstanding updated / derived is greater than Guarantee amount?	Fee will be charged on Outstanding or Guarantee Amount whichever is low.
	General	
19	Data Collection frequency	MLIs are required to update outstanding data every year on CGTMSE portal by January 15th or any such date as prescribed by the Trust for calculation of AGF.
20	Can Outstanding be updated or modified after generation of AGF?	In case of Working Capital, MLI can apply for enhancement of limit/ outstanding by paying additional guarantee fee for the enhanced limit. In case of Term Loan, System will not allow any modification in Outstanding data after Jan 15 or any such date prescribed by the Trust or after generation of AGF.

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Annexure IV

Under Hybrid Security Model : scenarios for fee and claim calculation

Scenario 1

Guarantee Limit
Term Loan
Loan Sanctioned: 2 Crore
Collateral value: 1 Crore
Maximum guarantee Coverage (2 crore less 1 Crore) = 1 Crore
Fee Calculation
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
Claim Limit
Maximum Limit would be on which fee is paid = 0.8 Crore

Scenario 2

Guarantee Limit
Working Capital
Loan Sanctioned: 1.8 Crore
Collateral value: 1 Crore
Maximum guarantee Coverage (1.8 crore less 1 Crore) = 0.8 Crore
Fee Calculation
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)
Claim Limit
Maximum Limit would be on which fee is paid = 0.8 Crore

Scenario 3

Guarantee Limit
Term Loan
Loan Sanctioned: 2 Crore
Collateral value: 1 Crore
Maximum guarantee Coverage (2 crore less 1 Crore) = 1 Crore
Fee Calculation
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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Annexure V

Statutory Auditors Certificate

On the Letterhead of the Head Office of the MLI

Consolidated Certificate

Certificate relating to recoveries made post settlement of claims by CGTMSE-Remittance made to trust

Certified that _______ (Name of Bank) has duly remitted the entire amount to CGTMSE out of recoveries made post settlement of claims and refund of 1st claim(s), as per the provisions of Credit Guarantee Scheme, for the Financial Year ________________ as per the details given in the following table:

MLI Name	Total Recovery (Rs.)	Amount deducted towards legal expenses, if any	Amount remitted to CGTMSE (Rs.)	Short Amount (Rs.)

Consolidated MLID wise information to be submitted in the above table covering all its CGTMSE covered cases. The compilation of information to be done at HO level of respective MLIs.

The above information is true and correct as on 31st March _____ (year) as per the books of accounts of the bank.

Name Designation of the authorized person

Signature of the authorized person with seal

Date:
Place:

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