

17 Years
in the service of MSEs



सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट

(भारत सरकार एवं सिडबी द्वारा स्थापित)

(यथा 17 नवंबर, 2017)

CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES

(Set up by Govt. of India & SIDBI)

(As on November 17, 2017)

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Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

BOARD OF TRUSTEES OF CGTMSE

(Status as on November 17, 2017)

No.	Name	Status
1	Shri Mohammad Mustafa, IAS Chairman & Managing Director SIDBI, MSME Development Centre, C-11, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	Chairman (ex-officio)
2	Shri Ram Mohan Mishra, IAS Addl. Secretary & Development Commissioner (MSME) Ministry of MSME, Govt. of India. "A" Wing, 7th Floor, Nirman Bhawan, New Delhi - 110108	Vice Chairman (ex-officio)
3	Shri Jatinder Bir Singh, IAS Chairman, Indian Bank's Association (IBA) Chairman and Managing Director Punjab & Sind Bank 21- Rajendra Place, New Delhi - 110008	Member (ex-officio)
4	Shri Subodh Kumar Chief Executive Officer Credit Guarantee Fund Trust for Micro and Small Enterprises, 1002-1003, Naman Centre, 10th Floor, C-31, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051.	Member Secretary

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CGTMSE slices off
the obstacles to MSE loans

Background

Availability of bank credit without the hassles of collateral and/or third party guarantee would be a major source of support to the first generation entrepreneurs to realise their dream of setting up their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalize the scheme, Government of India and Small Industries Development Bank of India (SIDBI) set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in August 2000 with a initial corpus of ₹ 2500 crore to be contributed by Government of India and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. The committed corpus has been augmented by ₹5000 crore by the GoI aggregating to ₹7500 crore.

Objective

The main objective of the credit guarantee scheme is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that the lender availing guarantee facility should endeavour to give composite credit to the borrowers so that the borrowers would obtain both term loan and working capital facilities from a single agency. The Credit Guarantee Scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 50/ 75 / 80/ 85 per cent (as per the current structure) of the credit facility.

Salient Features

- ▶ Micro & Small Enterprises as per MSMED Act are eligible to be covered.
- ▶ Credit guarantee for MSE loans up to ₹2 crore, which are not backed with collateral and third party guarantee.
- ▶ Both Manufacturing and Service sectors covered.
- ▶ Credit for retail trade, educational / training institutions and SHGs are not eligible for coverage.
- ▶ All fund / non-fund based facilities covered.
- ▶ Maximum Guarantee Cover of up to 85% of credit facility is granted under the CGS.
- ▶ Guarantee coverage is 50% for credit facilities above ₹50 lakh.
- ▶ 106 lending institutions registered as MLIs with CGTMSE (21 PSU Banks, 20 Pvt. Banks, 51 RRBs, 9 Financial Institutions and 5 Foreign Banks).

Eligible Member Lending Institutions (MLIs)

All Scheduled Commercial Banks (either PSU, Private or Foreign Banks), Selected Regional Rural Banks, Selected State Financial Corporations, Non-Banking Financial companies (NBFCs) or such of those institutions as may be directed by GoI can avail of guarantee cover in respect of their eligible credit facilities under the Scheme. Small Industries Development Bank of India (SIDBI), National Small Industries Corporation Ltd. (NSIC) and North Eastern Development Finance Corporation Ltd. (NEDFI) have been included as eligible financial institutions.

Cardinal Principles of the Scheme

- i. Only Micro and Small Enterprises engaged in manufacturing activities and those in service sector excluding retail trade are eligible to be covered under the Scheme.
- ii. Credit facilities extended by more than one bank and/or financial institution jointly and/or separately to eligible borrower up to a maximum limit of ₹200 lakh per borrower subject to ceiling amount of individual MLI or such amount as may be specified by the Trust.
- iii. The entire credit facility has to be given without collateral and/or third party guarantee. Loans may be secured against the primary security which has been defined under the Scheme to include assets created out of the credit facility extended to the borrowers and / or which are directly associated with the business/project of the borrower for which the credit facility has been extended. In those cases where MLIs have already obtained collateral security from the borrowing units to secure existing credit facilities, the collateral security needs to be released before covering the credit facility under the Scheme.
- iv. Any credit facility which has been sanctioned by the lending institution (all scheduled commercial banks, selected financial institutions and RRBs) with the maximum interest rate not more than 14% p.a. including cost of guarantee cover would be eligible for coverage under CGS (Refer CGTMSE Circular No. 121 and 131). For Non-Banking Financial Companies (NBFCs), effective interest rate inclusive of cost of guarantee cover not to exceed 18% p.a. for all MSE loans or as may be specified by CGTMSE Board from time to time. (Refer CGTMSE Circular No. 123).
- v. The dues of the borrowing unit to the lending institution should not have become bad or doubtful of recovery as on material date.
- vi. MLI should obtain the guarantee cover for credit facility sanctioned before the end of subsequent quarter.

Process of Guarantee Application

MLIs to apply online (Specimen format as per "Annexure 1") for guarantee cover for eligible cases sanctioned by them
Time period: Application to be submitted by the end of subsequent quarter of Loan Sanction Date

Path in the System: Member Login area → Application processing
 → Guarantee For → Select Type of facility sanctioned.

Online approval of application by CGTMSE fulfilling eligibility criteria of the CGTMSE scheme. On approval of application, CGPAN is generated which is unique to the credit facility sanctioned i.e. Term Loan (TC)/ Working Capital (WC).

Annual Guarantee Fee (AGF) is generated and demanded by end of the day as per rate applicable which is visible to MLIs online for facilitating payments.

AGF is to be paid within 30 days of generation of demand or first disbursement of loan by MLI whichever is later.

New modules introduced for the payment are as follow:
 Receipts & Payments → Payment through GF NEFT/ RTGS:
 03 Sub module: (i) Allocate Payments (ii) Modify/ Cancel RP No./ PAY_ID (iii) Initiate Payment

On receipt of demand advice from CGTMSE, MLIs can allocate the Demand Advices (DANs) through (Receipts & Payments → Payment through RTGS → Allocate Payments) for already generated DANs of approved guarantee applications, for payment. For each successful allocation, following format is generated and displayed on screen: 1 RP No. or PAY_ID:2 Amount.

After Clicking Payment Through RTGS/NEFT → Modify/ Cancel RP No./ PAY_ID: Using this option, MLI can modify or cancel an already made allocation (by selecting corresponding RP No.)

MLI can initiate the payment for already made allocations by selecting the corresponding RP Nos. / PAY_IDs. For all RP Nos. / PAY_IDs for which payment is initiated, a summary report with information like RP No./ Pay_ID, Virtual A/c No., Amount and IFSC Code will be generated. (Refer CGTMSE Circular no. 124). (Please note that after the selection of RPs for payment, RPs will not be available for modification/ cancellation).

Post successful NEFT/ RTGS payment from MLI's banking portal, payment information shall get updated in CGTMSE's system.

MLIs to verify from the CGTMSE portal about the commencement of Guarantee.
Path in the System: Report and MIS → Application related reports → CGPAN History

Process of AGF payment

MLIs after login. → Reciepts Payments → ASF Payment Through NEFT/ RTGS.

By clicking the option ASF Payment Through RTGS/NEFT, it will show below sub menu:

1. Allocate for Live AF DANs
2. Allocate for Expired AF DANs
3. Allocate for Live SF DANs
4. Allocate for Expired SF DANs
5. Modify / Cancel RP NO or PAY_ID
6. Initiate Payment for All

Allocation for AF/SF DANs: Using this option MLI can allocate the Demand advices for the respective AF/ SF cases, for payment, following information is generated and displayed on screen:

RP No. or PAY_ID
Amount and

Modify / Cancel RP NO or PAY_ID:

By Clicking On Payment Through NEFT/ RTGS Modify / Cancel RP NO or PAY_ID. , it will show below listed sub menu:

1. Modify for Live AF DANs
2. Modify for Expired AF DANs
3. Modify for Live SF DANs
4. Modify for Expired SF DANs

Using this option, MLI can modify or cancel an already made allocation (by selecting corresponding RP No.)

INITIATE PAYMENT for ALL:

After Clicking On **Payment Through RTGS/NEFT→ Initiate Payment for ALL**, it will show below listed sub menu:

1. Initiate for Live AF DANs
2. Initiate for Expired AF DANs
3. Initiate for Live SF DANs
4. Initiate for Expired SF DANs

Payment shall be successful only if Virtual A/c number, Amount and IFSC Code match exactly.

(Please note that after the selection of RPs for payment, RPs will not be available for modification/ Cancellation).

After the successful NEFT/ RTGS payment from MLI's banking portal, AGF payment information shall be updated in CGTMSE's system. **(Refer CGTMSE circular no. 127)**

Process of Lodgement of Claim

Online reporting of NPA in CGTMSE Portal Time period: NPA to be reported by the end of the subsequent quarter from the date of NPA

Operating Level officer submit the request to Checker for upgradation of the NPA cases

Path in the System: Member Login area → Guarantee Maintenance
→ Periodic Info → NPA account upgradation

Checker (not below the rank of AGM or equivalent rank) will then have to login into CGTMSE portal using the checker user id and password by using following path:

Guarantee Maintenance -> Submission for NPA Upgradation.

After approval by the checker, NPA will be upgraded in CGTMSE portal. (Refer CGTMSE Circular 111)

Initiation of legal action against the default unit as per the scheme

Online Claim to be lodged (as per specimen format of Annexure 3) within 1 year of NPA date or the expiry of Lock-in period, whichever is later. As per modification (circular no 62 dated Oct 10, 2012 available on the CGTMSE website), time period for claim lodgement increased to 2 years for cases

Sanctioned on or after 01/01/2013

Path in the System: Claims Processing → Claim for → First Instalment.

(Lock-in Period = 18 months from Guarantee Start date or last date of disbursement in case of term loan whichever is later.)

In Claim Application form, after feeding the data in Claim form, on clicking next button Declaration and Undertaking (D&U) form to be updated by Maker. For all claim applications ,check list (9 fields) will open after clicking on " please press here for filling the checklist" and marking of all checkboxes by maker is mandatory, after Checker approval Claim is checked and processed by CGTMSE. (Refer CGTMSE Circular number 111,118,119,130.)

Application for second instalment of claim is to be submitted through letter (HardCopy) on conclusion of recovery proceedings by the MLIs .As per modification (circular no 62 Dated Oct 10, 2012 available on the CGTMSE website) second instalment will be paid on conclusion of recovery proceedings by the MLI or after three years of obtention of decree of recovery, whichever is earlier for cases sanctioned on or after 01/01/2013.

Note: - Treatment of recovery Post Settlement

On payment of first instalment of claim, MLIs should undertake to remit all such recoveries from the borrower/unit (after adjusting towards the legal expenses) to CGTMSE without delay. 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 entire outstanding amount. (Refer CGTMSE Circular No. 122.)

OTS- If OTS amount is received from the party then MLI has to remit the entire amount of OTS (after adjusting towards the legal expenses) to enable us to arrive at the total loss in respect of such account for settling the final instalment of claim.

Check List for Claim Lodgement

Please ensure following prior to lodging Claim online:

1. Ensure that the guarantee is in force as on date of NPA and the MLI/borrower has paid the Annual Guarantee Fee (AGF) / Annual Service Fees (ASF) regularly. MLI has to pay Annual Guarantee Fee till the settlement of 1st installment of the claim to keep guarantee in force.
2. Ensure that the Lock-in period of 18 months from the date of last disbursement or the date of issuance of guarantee cover, whichever is later, is completed.
3. The borrower account is classified as NPA as per norms (RBI guidelines) and the claim application is lodged online in the CGTMSE portal.
4. Date of issue of Recall Notice is furnished.
5. Ensure that Legal Proceedings has been initiated and furnished the relevant details such as date of initiation of legal action and legal authority such as DRT / Revenue Recovery Authority / Lok Adalat/Civil Court/ SARFAESI etc. to which the legal application is filed. In case of SARFAESI, ensure possession of the secured assets as per section 13(4) of the Securitization act.
6. Details of subsidy (amount & date of credit) received after the date of NPA, if any, availed by the borrower may also be furnished.
7. Checker ID is to be created as per CGTMSE circular 111 for submission of online claim and making Declaration and undertaking. New user ID and password would be generated for the checker (approver) for all the MLI IDs which will be strictly used only by the MLI ID's approving authority not below the rank of AGM or of equivalent rank.
8. Update disbursement details before online submission of claim using following path.
Guarantee Maintenance → Periodic Info → Disbursement Detail.
9. Send us the RTGS mandate form giving the account details of the MLI to enable us to make the payment in respect of claim settled account.

CGTMSE SCHEME

[The scheme has been updated to the extent possible by incorporating the guidelines issued by the Trust on various dates. In case of any inconsistency, the instructions issued by means of circulars and available on our website would stand valid.]

1. INTRODUCTION

The Board of Trustees of Credit Guarantee Fund Trust for Small Industries, having decided to frame a Scheme for the purpose of providing guarantees to a substantial extent in respect of credit facilities to borrowers in Micro and Small Enterprises, hereby make the following Scheme:

1. Title and date of commencement

- (i) The Scheme shall be known as the Credit Guarantee Fund Scheme for Small Industries (CGFSI)
- (ii) It shall come into force from August 1, 2000.
- (iii) It shall cover eligible credit facility extended by the lending institutions to eligible borrowers effective from June 1, 2000.

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 Scheme for Micro and Small Enterprises.

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 of the 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 service fee, the credit facility extended shall mean the credit facilities (both fund and non-fund based) covered under CGS 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.
- (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 and Regional Rural Banks and NBFCs 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 the date on which the annual guarantee fee on the amount covered in respect of eligible borrower becomes payable by the Member lending institution to the Trust.
- (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.

- (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 .
- (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.

2. 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/Financial Institutions) and (ii) not exceeding ₹200 lakh (Scheduled Commercial Banks and select Financial Institutions) (iii) above ₹10 lakh and not exceeding ₹200 lakhs for Non Banking Financial Companies (NBFCs) 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.

Provided that the lending institution applies for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

Provided further that, as on the material date

- (i) The dues to the lending institution have not become bad or doubtful of recovery; 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 utilised for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

Credit facilities extended by more than one bank and/or financial institution jointly and/or separately to eligible borrower up to a maximum of ₹200 lakh per borrower subject to ceiling amount of individual MLI or such amount as may be specified by the Trust.

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 for loans upto ₹ 10 lakh to Micro Enterprises shall not be eligible to cover under CGTMSE if the said credit facility has been covered under MUDRA guarantee Scheme through NCGTC Ltd. CGTMSE. (For Details Refer CGTMSE circular 117)
- (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) and (iii) above, and where the lending institution has invoked the guarantee provided by the Trust or under the schemes mentioned in clause (i), (ii) and (iii) above, but has not repaid any portion of the amount due to the Trust or under the schemes mentioned in clause (i), (ii) and (iii) 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.
- (vii) Any credit facility which has been sanctioned by the lending institution (all scheduled commercial banks, selected financial institutions and RRBs) with the maximum interest rate not more than 14% p.a. including cost of guarantee cover would be eligible for coverage under CGS (Refer CGTMSE Circular No. 121 and 131). For Non-Banking Financial Companies (NBFCs), effective interest rate inclusive of cost of guarantee cover not to exceed 18% p.a. for all MSE loans or as may be specified by CGTMSE Board from time to time. (Refer CGTMSE Circular No. 123).

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.

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.

3. ANNUAL GUARANTEE FEE

(Updated as on November 17,2017)

8. Annual Guarantee Fee (AGF) (As per the current structure)

Composite all-in Annual Guarantee Fee as under :

Credit Facility	Annual Guarantee Fee (AGF) [% p.a.]	
	Women, Micro Enterprises and units in North East Region (incl. Sikkim)	Others
Up to ₹ 5 lakh	0.75	1.00
Above ₹ 5 lakh and up to ₹ 200 lakh	0.85	1.00

Charging of Annual Service Fee (ASF) / Annual Guarantee Fee (AGF) at differential rates depending upon NPA levels/ Claim Payout ratio of MLIs

As you are aware, the Trust had adopted non-discretionary approach in levying Guarantee Fee (GF)/Annual Service Fee (ASF)/Annual Guarantee Fee (AGF) without reference to the level of NPAs reported by the Member Lending Institutions (MLIs) on the CGTMSE portal vis-à-vis the guarantees issued to them as also without reference to the claims paid to the MLIs vis-à-vis the fees and recoveries received from the MLIs. Considering the very high level of NPAs reported by some of the MLIs as also significantly larger amount of claims settled for some of the MLIs, the Trust had introduced risk based pricing structure for cases sanctioned on or after April 01,2016. The Trust with its over 17 years of working in the Credit Guarantee field, has built up adequate data to support the risk base pricing. Therefore, the Trust had introduced following risk premium structure in place of existing guarantee fee structure:

(1) Risk premium on NPAs in Guaranteed portfolio		(2) Risk premium on Claim Payout Ratio	
NPA Percentage	Risk Premium	Claim Payout Percentage	Risk Premium
0-5%	SR	0-5%	SR
>5-10%	10% of SR	>5-10%	10% of SR
>10-15%	15% of SR	>10-15%	15% of SR
>15-20%	20% of SR	>15-20%	20% of SR
>20%	25% of SR	>20%	25% of SR

SR–Standard Rate

The above Risk premium structure would be governed by the following:

1. The risk premium, wherever applicable, would be charged with prospective effect i.e. credit facilities sanctioned by MLIs on or after April 01, 2016 and covered under the Credit Guarantee Scheme. The existing loans under credit Guarantee will continue to carry the old rates till their maturities or renewal.
2. The rates under this mechanism will be floating and will undergo changes every year based on the NPA level and payout ratios of the concerned Bank.
3. The MLIs having NPA percentage as well as claim payout ratio more than 5%, the risk premium under both the categories shall be applicable to such MLIs.
4. The risk premium structure will also be applicable to renewal cases (i.e. renewals after expiry of guarantee period) in respect of working capital limits.
5. In respect of working capital accounts covered under the Credit Guarantee Scheme where original sanctions are prior to April 01, 2016 and the subsequent enhancements in the limits are on or after April 01, 2016, the earlier fixed rate structure (i.e. pre-revised structure) would continue to apply even for the enhanced portion.
6. The review of risk premium would be an annual exercise and the revised risk premium would be applicable from the first day of each financial year. The subsequent revisions in the risk premium would be applicable to all those guarantees originally approved under differential pricing structure.
7. It is clarified here that while levying the annual guarantee fee for the first time, the fee is collected for the full 365 days from the guarantee start date (i.e. fee payment date) and the second and subsequent year onwards in respect of already issued guarantees, the fee is collected till the end of financial year excepting for the terminal year of guarantee where the fee is collected for the proportionate period. Thus, while the fee applicable for the first year would be for the entire 365 days at applicable rate, the fee at the revised rates in subsequent years, based on revisions in NPA percentage/claim pay-out ratio, would be applicable only for the broken period of the respective year.
8. It is further clarified that the guarantees approved under fixed rate structure i.e. in respect of credit facilities sanctioned by MLIs on or before March 31, 2016 would continue to be governed by the fixed rate structure till the expiry of respective guarantee period or first settlement of claim, whichever is earlier.
9. For working out the percentages of NPAs/claim pay-out ratio with a view to arrive at the risk premium, the data generated as on September 30 of immediately preceding financial year would be relied upon. E.g. for working out the risk premium applicable as effective from April 01, 2016 onwards, the

base data for working out the percentage of NPAs/claim pay-out ratio would be as on September 30, 2015 and so on. The MLIs would be advised by January every year about their respective NPA percentage and claim pay-out ratio as per the CGTMSE records and the risk premium applicable to them effective April 01 of subsequent financial year.

10. As regards calculation of NPA percentages and claim pay-out ratio, it may be mentioned that while NPA percentage would be worked on the basis of cumulative NPAs upto September 30 each year as marked by the MLI in CGTMSE portal (net of upgraded accounts and the accounts where the claims would not hit CGTMSE in respect of the NPAs marked) in terms of amount (i.e. Guaranteed amount of the corresponding NPA account) vis-à-vis the cumulative guarantees issued by the Trust as on September 30 every year as indicated above, the claim pay-out ratio would be worked out on the basis of cumulative claims settled by the Trust and the cumulative receipts (includes Guarantee and Annual Service /Annual Guarantee Fee receipts, recoveries out of OTS and recoveries passed on by MLIs after first settlement of claim) as on September 30 each year. The cumulative claims paid upto 1.05 times of the cumulative receipts will not attract any risk premium as indicated in the table above.
11. The MLIs would be intimated by first week of March each year about their respective NPA percentage and claim payout ratio and the applicable risk premium effective from April 01, of succeeding year.

You can refer to circular no.107/2015-16 dated January 28, 2016 available on www.cgtmse.in for more details.

- (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 on** the credit facility sanctioned (comprising term loan and / or working capital facility) shall be paid by the lending institution within 60 days from the date of demand or any other specified date by CGTMSE, of every year. In the event of non-payment of annual service / annual guarantee fee, the guarantee under

the scheme shall not be available to the lending institution unless the Trust agrees for continuance of guarantee and the lending institution pays penal interest on the service fee due and unpaid, with effect from the due date at four per cent over Bank Rate, per annum, or at such rates specified by the Trust from time to time, for the period of delay.

- 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 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. Annual Guarantee fee / Annual Service Fee, shall not be refunded, 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.

4. GUARANTEES

9. Extent of the Guarantee Coverage (As per the current structure)

The Trust shall provide Guarantee as under :

Category	Maximum extent of Guarantee where credit facility is		
	Up to ₹ 5 lakh	Above ₹ 5 lakh up to ₹ 50 lakh	Above ₹ 50 lakh up to ₹ 200 lakh
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	50% of amount in default subject to a maximum of ₹ 100 Lakh
Women entrepreneurs/ Units located in North East Region (incl. Sikkim) (other than credit facility up to ₹ 5 lakh to micro enterprises)	80% of the amount in default subject to a maximum of ₹ 40 lakh		
All other category of borrowers	75% of the amount in default subject to a maximum of ₹ 37.50 lakh		

All proposals for sanction of guarantee approvals for credit facilities above ₹ 50 lakh upto ₹ 200 lakh will have to be rated internally by the MLI and should be of investment grade. There is increase in the coverage of the eligible credit limit per borrower under the CGS from ₹ 100 lakh to ₹ 200 lakh extended by Scheduled Commercial Banks and select Financial Institutions to the units in Micro and Small Enterprises (MSEs) for proposals Sanctioned by the MLIs on or after January 01, 2017. The enhancements in existing guarantee cover beyond ₹ 100 lakh in respect of working capital facilities, where such enhancements are approved on or after January 01, 2017, would also be eligible for the enhanced coverage up to ₹ 200 lakh provided the proposal meets the guidelines of CGS.

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.

5. CLAIMS

10. Invocation of guarantee

- (i) The lending institution may invoke the guarantee in respect of credit facility ***within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year from lock-in period, if NPA is within lock-in period (for cases sanctioned on or after 01/01/2013 time period for claim lodgement increased to two year)***, if the following conditions are satisfied: -
- The guarantee in respect of that credit facility was in force **at the time of account turning NPA.**
 - 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.
 - 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.
 - 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 installment 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 installment from the Trust.

- e. However in case of credit facility sanctioned on or after 01/01/2013, initiation of legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities covered under CGS up to ₹ 50,000/-, subject to the condition that for all such cases, where the filing of legal proceedings is waived, an Executive 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 filing claim under the Scheme.
- (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, 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.
 - (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 realised, 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 the recoveries/ OTS amount received post settlement of first instalment of claim in the CGTMSE portal. Please refer CGTMSE Circular No.113/ 2016-17 dated May 12, 2016 for more details.
- (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. Please refer CGTMSE Circular No.130/ 2017-18 dated July 14, 2017 for more details.

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

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, realisations 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.

6. 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, penal interest and other charges have fallen due. If the service fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards service 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 realised 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 service 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 the proportion of 50% / 75% / 80% / 85% and 50% / 25% / 20% / 15%, respectively.

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.

CGTMSE

Credit Guarantee Scheme for NBFCs (CGSII) Salient features

1. Eligibility criteria for NBFCs

- a Systemically important NBFCs registered with RBI.
- b Profit making for last three years with credit rating for long term bank credit not lower than BBB.
- c Lending to MSEs
 - i. Minimum experience of 5 years
 - ii. Minimum MSE loan portfolio of ₹100 crore.
 - iii. Less than 5% NPA level in MSE portfolio as per last audited results
 - iv. Average recovery ratio over 90% for the MSE portfolio for last three years.

2. Coverage of loans: Loans (not backed by Collateral security and/or third party guarantee) above ₹10 lakh and upto ₹200 lakh to MSE sector as currently permitted for coverage by CGTMSE.

3. Form of Guarantee: Portfolio guarantee.

- a A portfolio would comprise of all eligible accounts submitted (quarterly) by the MLI during a FY.
- b Guarantee liability would be live during 3-4 year life of the Portfolio.
- c MLI-NBFC has to submit the eligible sanctions during a quarter (batch) within 45 days of the quarter end for coverage under portfolio guarantee.

4. Claim Process :

- a First claim after minimum of 12 months of the end of the portfolio year.
- b Claims could be lodged for NPAs which have completed seasoning of 6 months and for which legal action (SARFAESI Act, Arbitration Proceedings etc) has been initiated.
- c Half yearly payouts based on provisional accounts of NBFCs and specific recovery data as may be specified.
- d Annual payouts will be based on Annual accounts and include adjustments on account of any inaccuracy in half-yearly settlement.
- e NBFC will have to share recoveries made after claim settlement on pro rata basis.

CGS II– Terms of sanction

- a Exposure limit to a NBFC would be sanctioned based on assessment.
- b Fee and Pay-out caps within the limit would be based on 'Average Expected Loss', overall target coverage under the scheme, corpus availability etc.
- c Guarantee cover would be limited to 50% of 'Amount in Default' for individual accounts covered in the portfolio settled on a pro-rata basis.
- d Effective interest rate inclusive of cost of guarantee cover not to exceed 18% p.a.

CGS II– Other conditions

- a No collateral/third party guarantee shall be stipulated for cases to be covered under the scheme.
- b NBFC will be responsible for due diligence of the credit proposal and follow up and recovery of all loan amounts under the scheme.
- c Internal rating for all cases above ₹50 lakh mandatory. All such cases should be of Investment grade.
- d Sale of guaranteed portfolio only to CGTMSE registered MLI.
- e Obtention of Udyog Aadhar Number is required for a borrower, wherever possible.

FAQs

A - Member Lending Institutions - Eligibility, responsibility etc.

1. Which are considered as eligible lending institutions under the Scheme?

All Scheduled Commercial Banks (either PSU, Private or Foreign Banks), selected Regional Rural Banks, selected state financial corporations or NBFCs or such of those institutions as may be directed by GOI can avail of guarantee cover in respect of their eligible credit facilities under the Scheme. Small Industries Development Bank of India (SIDBI), National Small Industries Corporation Ltd. (NSIC) and North Eastern Development Finance Corporation Ltd. (NEDFi) have been included as eligible institutions.

2. Can a Private sector bank or a foreign bank be eligible for guarantee cover?

Yes, provided it is a commercial bank listed in the II Schedule to the Reserve Bank of India Act, 1934.

3. Is Regional Rural Bank eligible for guarantee cover?

Yes, fulfilling the criteria of circular dated June 10, 2014 on "Review of Interest cap and other registration criteria of Regional Rural Banks (RRBs) as Member Lending Institutions (MLIs) of CGTMSE". The Trust shall cover credit facilities (Fund based and/or Non fund based) extended by select RRB(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility not exceeding ₹ 50 lakh 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.

4. Whether SFCs, Twin Function IDCs, Scheduled Co-operative Banks, Urban Co-operative Banks and NBFCs are eligible lending institutions for availing guarantee cover under the CGTMSE?

Select SFCs / NBFCs are being considered for inclusion as MLI, other institutions are not eligible to become a MLI.

5. When can the eligible lending institutions apply for guarantee cover in respect of eligible credit facilities under the Scheme?

The eligible lending institutions are required to enter into a 'one time' agreement with CGTMSE for becoming Member Lending Institutions (MLIs) of the Trust. MLIs can then apply for guarantee cover in respect of eligible credit facility sanctioned to any eligible borrower. The MLIs can apply for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

6. Whether the Trust will re-appraise the proposals sanctioned by the MLIs for approving guarantee cover?

MLIs are expected to support only viable proposals using their commercial discretion and due diligence. CGTMSE will have full trust in their credit evaluation. The Trust will not re-evaluate the proposals sanctioned by MLIs. If the proposals satisfy the basic norms laid down under the CGS, the Trust will extend guarantee cover.

7. Where the MLIs can get the details of accounts covered under CGTMSE?

Our website www.cgtmse.in has 'Reports and MIS' module to enable the MLIs to generate standard reports. MLI can log on to the website-member page, using member-ID allotted and generate the reports desired by it viz. status of the application lodged, Demand for GF/ASF, monthly reports etc.



B - Eligible Borrowers

1. Which type of borrowers can be covered under the Scheme?

New and existing Micro and Small Enterprises engaged in manufacturing or service activity excluding Retail Trade, Educational Institutions, Agriculture, Self Help Groups (SHGs), Training Institutions etc.

2. Whether borrowers from all service sector enterprises are eligible under the Scheme?

As of now, all activities that come under service sector as per MSMED Act, 2006 except retail trade are eligible for coverage under the scheme.

3. Whether loans given to Small Road Transport Operators are eligible for coverage under the Scheme?

Yes. Small road and water transport loans are eligible for guarantee cover.

4. Is it compulsory for the borrower to obtain Income Tax Permanent Account Number [IT-PAN] to be an eligible borrower?

Under the Guarantee Scheme, a borrower is required to obtain IT PAN number prior to availing of credit facility from the eligible lending institution. Also it is a mandatory requirement under section 139A(5) read with section 272(C) of the I.T Act 1961 to indicate IT PAN on all tax documents which include returns, challans, appeals, etc. However, in respect of loans up to ₹ 5 lakh, CGTMSE is presently not insisting that the IT PAN be obtained at the time of availing of the guarantee cover. IT Pan No. is to be indicated in respect of credit facility above ₹ 5 lakh. Nevertheless, the MLIs have been advised to inform their borrowers to apply for IT PAN number. It is desirable to indicate IT Pan No. in all the application irrespective of the amount. (Refer CGTMSE Circular No. 112)

5. Is guarantee benefit available to existing units of a lending institution which has become a MLI of CGTMSE?

In case of existing units, additional credit facilities in the form of term loan or renewal of working capital facilities can be covered as and when the facilities are extended, provided no collateral security and/ or third party guarantee is obtained. Part of the credit facility with collateral and part of the facility without collateral for guarantee cover would not be entertained if it is considered as a composite credit.

6. Is it necessary that a borrower to be eligible should obtain all the required credit facilities from a single institution?

Credit facilities can be extended by more than one bank and/or financial institution jointly and/or separately to eligible borrower up to a maximum limit of ₹200 lakh per borrower subject to ceiling amount of individual MLI or such amount as may be specified by the Trust. However, sharing of securities will not be permitted.

7. Co-financing to a MSE unit by Financial Institution with a Commercial Bank can be covered under the Scheme?

Yes, joint financing by a financial institution (e.g. SIDBI, NSIC, and NEDFi) and Commercial bank can be covered under the scheme. For e.g. MSE unit is financed by term loan from State financial institution and Working capital from a commercial bank. However, sharing of securities will not be permitted.

8. Whether credit facility extended to self-help group can be covered under the scheme?

No. At present, as per the Scheme, the credit facility extended to Self Help Group cannot be covered.

C - Credit Facilities & Parameters

1. What is quantum of credit facility that can be covered under the Scheme?

Fund and non-fund based (Letters of Credit, Bank Guarantee etc.) credit facilities up to ₹200 lakh per eligible borrower are covered under the guarantee scheme provided they are extended purely on the project viability without collateral security or third party guarantee.

2. Can a credit facility of over ₹ 200 lakh be covered under the Scheme?

Yes, provided that the entire credit facility is extended without any collateral security and it is otherwise eligible for a guarantee cover under the Scheme. The guarantee cover available will be restricted to credit of ₹200 lakh even though credit extended is more than ₹200 lakh to an eligible borrower. In other words, maximum of credit risk borne by CGTMSE is restricted to ₹100 lakh i.e. 50% of amount in default.

3. What would be the guarantee / service fee that would be payable by the member-lending institution on credit facility sanctioned in excess of ₹200 lakh?

Presently, annual guarantee fee is payable @1% (0.75% or 0.85% in case of Women, Micro and units in North Eastern Region including state of Sikkim) for loans up to ₹ 5 Lakh and above respectively, also from April,01, 2016 differential pricing on the fees is applicable on the credit facility agreed to be covered by the Trust. In this case, maximum of ₹200 lakh would be extended guarantee cover even though the sanctioned amount exceeds ₹ 200 lakh.

4. Can term loan or working capital facility alone be extended by an eligible lender and still be covered under the guarantee scheme?

Yes, a lender can extend either term loan or working capital facility alone and still be eligible for a guarantee cover if it meets the other eligibility parameters. Needless to say, the credit facility extended to a borrower should be without any collateral security and/or third party guarantee.

5. Can a credit facility extended to a borrower against a collateral security be covered under the Guarantee Scheme, if the lending institution relinquishes its rights on the collateral security?

Yes, provided the lending institution relinquishes its rights on the collateral assets and releases the same in favour of the borrower before seeking guarantee cover and subject to fulfilment of the other norms of the Scheme.

Further, in case the MLIs has to retain the collateral security for the existing credit facility, a new credit facility extended to same borrower, without taking

collateral can be covered under the scheme provided, the MLI is not extending the charge on the existing collateral to new facility.

6. Is there any ceiling in respect of interest to be levied on the credit facility advanced to the borrower if the same is to be covered under the Scheme?

Any credit facility which has been sanctioned by the lending institution with the maximum interest rate not more than 14% p.a. and 18% p.a. including cost of guarantee cover/(Average Base Rate decided by the trust from time to time as applicable to RRBs prior to 01/08/2017) would be eligible for coverage under CGS I and CGS II respectively. This supersedes the existing guidelines of CGTMSE on ceiling of interest rate that could be charged by MLIs on guaranteed loans (Refer CGTMSE Circular no. 131). The revised guidelines on ceiling on Interest Rate that could be charged for the guarantee covered credit facilities would be applicable also to those MLIs who would not be eligible for enhanced credit guarantee coverage from ₹100 lakh to ₹200 lakh.

7. Is it possible to cover credit facilities, which have already become NPA?

No, the credit facility that has already become NPA cannot be covered under the Scheme.



D - Primary Security vis-a-vis Collateral security/personal guarantee vis-à-vis third party guarantee

1. What is the difference between primary security and collateral security?

Primary security is the asset created out of the credit facility extended to the borrower and / or which are directly associated with the business / project of the borrower for which the credit facility has been extended. Collateral security is any other security offered for the said credit facility. For example, hypothecation of jewellery, mortgage of house, etc.

Example: Land, Plant & Machinery or any other business property in the name of a proprietor or unit, if unencumbered, can be taken as primary security.

2. Under the Scheme, any third party guarantee obtained for the credit facilities will make them ineligible for guarantee cover. What is third party guarantee?

As per the extent guidelines no third party guarantee should be obtained if the account is to be covered under the Credit Guarantee Scheme. However, in case the constitution of the borrower is proprietary or partnership, the personal guarantee of proprietor/ partner is not treated as third party guarantee. Similarly, Personal guarantee of directors, where borrower constitution is a company will not be treated as third party guarantee. Personal guarantee of spouse, friend etc. will be treated as third party guarantee.

CGTMSE

E - Annual Guarantee Fee (AGF)

1. Whether the incidence of Annual Guarantee Fee be passed on by the lender to the borrower?

The discretion is left to the MLI.

2. Whether the rates of Annual Guarantee Fee can be varied after the commencement of guarantee cover?

Any change in the Annual Guarantee Fee will be intimated to MLI from time to time. Any change in rate will have only prospective effect on the future proposals to be covered under the Scheme. As regards to Fee charged annually, it is payable on the guaranteed credit facilities as on March 31, the prevailing rate at that time will apply.

3. Is service fee payable even after lodgement of claim?

Yes, Annual Service Fee/AGF is required to pay after lodgement of claim till settlement of first installment of 75% of the guaranteed amount. However, no claim can be lodged before the expiry of the initial lock-in period (ie.18 months from the date of issue of the guarantee cover or the date of last disbursement, whichever is later).

4. What would be the Annual Guarantee Fee that would be payable by the member-lending institution on credit facility sanctioned in excess of ₹ 200 lakh?

The Annual Guarantee Fee payable would be on the loan amount approved by CGTMSE subject to a maximum of ₹200 Lakh. In this case, ₹200 lakh would be extended guarantee cover even though the sanctioned amount exceeds ₹200 lakh. Similarly, the Annual Guarantee Fee (AGF) would be payable on the approved amount by CGTMSE subject to a ceiling of ₹ 200 Lakh.

5. How is the Annual Guarantee fee payable for the first year?

In the first year of coverage of each guaranteed unit, the Annual Guarantee Fee is calculated for 1yr. In the succeeding year, it is worked out on pro-rata basis i.e. at the applicable rate of fee charged for the period (no. of days) of outstanding, till March 31. For calculation of Annual Guarantee Fee, number of days in a year is taken as 365. For subsequent years, service fee is charged for the whole year, on the credit facility guaranteed except for terminal year or closed cases where it is on pro rata basis.

F - Credit guarantee - extent of cover, invocation, claim etc.

1. When will the guarantee cover commence for the eligible credit facility?

The guarantee cover will commence from the date on which guarantee fee proceeds are credited to bank account of the Trust.

2. How long the guarantee cover is available for credit facilities extended to a particular borrower?

Guarantee will commence from guarantee start date and shall run through the agreed tenure of the term loan / composite loans. Where working capital facilities alone are extended to eligible borrowers, it would be for a period of 5 years or block of 5 years on renewal of the guarantee cover, provided MLI pays the Annual Service Fee due as on March 31, latest by within 60 days from the date of demand by CGTMSE.

3. Whether the interest on term loan and other charges can also be guaranteed by the Trust?

In case of default by the borrower subject to overall guarantee cap amount, the liability of the Trust in respect of credit facility shall be as follows: -

- i. Term Loan: - Defaulted amount (inclusive of 1 Quarter interest)
- ii. Working capital facility: - Outstanding working capital advance (inclusive of interest up to the date of NPA)

Other charges such as penal interest, commitment charge, service charge or any other levies / expenses shall not qualify for the guarantee cover.

4. Whether the credit facility for rehabilitation / nursing of the sick unit can also be eligible for guarantee under the Scheme?

The eligible borrower unit which has been covered under the Scheme and subsequently becomes sick due to factors beyond the control of the management, the assistance / credit for rehabilitation extended by the lender could also be covered under the Scheme provided the overall assistance is within the credit cap of ₹ 200 lakh, for such extended period of guarantee and on such terms as may be decided by the Trust.

5. What is the tenure of the cover for credit relating to working capital?

The tenure for coverage of working capital facilities is 5 years, where working capital alone is covered under the scheme. In case term credit and working capital both are covered under the scheme, the tenure relating to working capital facility would match the normal repayment period of term credit. The reason for keeping a limit of 5 years wherever working capital alone are

covered are that the period for which the same are extended by the lending institutions are not time bound. The same are reviewed periodically for increase/ decrease in the limit sanctioned, and are expected to continue for a time frame much longer than 5 years. CGTMSE welcomes any renewal of guarantee cover beyond 5 years on a payment of applicable guarantee fee.

6. Whether the guarantee will continue to be available in respect of a particular borrower unit if there is change in management of that borrower during the period the guarantee is in force?

If the new promoters / management meets / satisfy the norms of the eligible borrower viz. maximum credit availed and outstanding, MSE status etc., and continues to perform the existing activities of borrower or undertakes the new activities which otherwise are eligible under the Scheme for guarantee then the lender can continue such borrower with existing liabilities under the scheme of guarantee. However, if the new promoter / management do not satisfy any of the norms of the Scheme, the guarantee in respect of the credit facility shall be deemed to be terminated from the date of said transfer or assignment.

7. Under what circumstances the guarantee cover obtained by the lender in respect of particular borrower will lapse?

The guarantee cover given by the Trust to the lender in respect of credit facility to a particular borrower will lapse if

- i. It is subsequently brought to the knowledge of the Trust that the lender has obtained collateral / third party guarantee from the borrower while sanctioning the particular credit facility which has been covered under the guarantee,
- ii. It is subsequently gathered that the lender has advanced second / subsequent credit facility to the borrower with collateral / third party guarantee and extended the scope of collateral / third party guarantee to the existing credit facility for which guarantee cover has been obtained from the Trust,
- iii. Annual service charge is not paid to the Trust by the specified period or such extended time limit as may be granted by the Trust,
- iv. The tenure of guarantee cover has expired.

8. When can the lender invoke the guarantee given by the Trust in respect of credit facility advanced by it to the eligible borrower?

The lender shall prefer a claim on the defaulted account on recall of loan and initiation of recovery proceedings under due process of Law. The lender can, however, invoke the guarantee given by the Trust only after the lock-in period

of 18 months either from the date of last disbursement of credit to the borrower or from the date of the guarantee cover coming into force in respect of the particular credit facility, whichever is later.

9. How the claim of lender will be settled by the Trust in respect of defaulting account?

After satisfying itself about the procedural aspects met by the lender, regarding lodgement / preferment of claim for guarantee, the Trust will honour 75% of the guaranteed portion of the amount in default, subject to maximum of 50% / 75% / 80%/85% of the amount in default. The balance 25% shall be paid on conclusion of the recovery proceedings.

10. Whether guarantee cover is available to the second term loan sanctioned after 2/3 years of the first term loan? Whether the cash credit will continue to be covered under the scheme up to repayment of the 2nd term loan?

Guarantee cover is available for the second term loan provided the aggregate credit does not exceed ₹ 200 lakh. Where working capital is sanctioned along with the term loan facility, the tenure of such working capital facility shall be co-terminus with that of term loan facility and shall run concurrently with the scheduled repayment period of the term loan facility. Subsequent to the repayment of the term loan along with which working capital was sanctioned, the guarantee cover in respect of working capital can be renewed by paying applicable guarantee fee on the sanctioned working capital facility or the renewal of working capital may also be clubbed with the second term loan facility so that both are sanctioned together, thus getting guarantee cover for both the facilities for a period equal to the repayment period of second term loan, on payment of guarantee fee on the sanctioned (term loan + working capital) account.

11. Whether the responsibility to recover the defaulted credit is taken over by the Trust after the settlement of claim (issuance of 1st Installment of claim) in respect of particular borrower account?

No, the lender continues to remain responsible to take all efforts in recovery of credit advanced to the borrower who had defaulted, even after the initial settlement of the claim by the Trust. However such recovery should be remitted by the lender (after adjusting towards legal expenses) to CGTMSE without delay.

12. Where the credit facilities are covered under ECGC, is it possible to avail guarantee cover to the extent not covered by ECGC under Credit Guarantee Scheme?

Any credit facility in respect of which risks are additionally covered by of

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 is not eligible for credit guarantee cover of the Trust.

13. Issue of notice under Lok Adalat is sufficient for invoking the guarantee and getting the first installment?

Yes, for the purpose of the scheme, issue of notice under Lok Adalat is sufficient to prove the legal proceedings have initiated.

14. Issuing notices to the defaulted units under SARFAESI Act 2002 is sufficient for invoking guarantee under the scheme?

No, mere issuance of recall notice under SARFAESI Act cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CGS. Lending institution should take further action as contained in Section 13 (4) of the above Act.

15. What is the familiar ground upon which claims from MLIs are rejected by the trust?

- Legal proceedings not initiated, or just a notice under the SARFAESI act issued but charge on primary security is not taken.
- Guarantee cover was not in force i.e. service fee was not paid for one particular period.
- Account was doubtful of repayment when the cover was taken and it was obvious from the conduct of the account that it will turn NPA subsequently i.e. applied for guarantee cover when the asset became stressed.
- Claim application not submitted within the due date for claim lodgement.
- Legal action against the borrower/ default unit not initiated or is initiated after the due date of claim lodgement.

G - Legal Proceedings, OTS etc.

1. What is meant by conclusion of recovery proceedings?

The recovery proceedings would be stated as concluded after the decree has been enforced and recovery has been completed by the MLI and outstanding amount has been recovered by the MLI or decree to get time barred if no further recovery possible.

2. Can a lending institution go for one time settlement (OTS) in respect of defaulted cases, which are covered under the Scheme?

Yes. The lending institution is, however, required to keep the Trust informed. In order to avail claim, legal action must be initiated by the MLI even in the event of OTS.

3. Who will bear the legal expenses of recovery, MLIs or borrower or CGTMSE?

Initially, the legal expenses will be borne by the MLI. At the time of remittance of recovery proceeds to CGTMSE by the MLI, same may be deducted.



CGTMSE takes the thorns
out of MSE loans



H - General

1. How is this guarantee scheme operated by the Trust?

The operations of this Scheme are fully computerized using B2B e-business concept to enable the Trust to deliver prompt service to the lenders.

2. What information is required to be submitted to the Trust before starting operations under the Scheme?

The lending institution has to submit an undertaking (download from <http://www.cgtmse.in/files/Undertaking.pdf>) on a stamp paper of appropriate value to the registered office of the Trust. Subsequently, MLIs are required to give the names and addresses of the Zonal / Regional / Branch offices through which they would like to operate the Scheme. They are also required to furnish the names of a nodal officer and two other officers who will be operating the Scheme at each of the operating offices. On receipt of this information, Member ID and Passwords would be allotted by the Trust, after which it would be possible for MLIs to lodge applications for guarantee cover. Applications are required to be lodged online.

3. Can the Micro and Small Entrepreneurs / borrowers approach the Trust directly to seek guarantee for the credits sanctioned by the Banks?

CGTMSE gives guarantee to its MLIs. Therefore, entrepreneurs in the Micro and Small Enterprises sector have to approach the Banks or financial institutions (who have already registered with the Trust as MLIs) with their viable proposals for their credit requirements. The List of MLIs of the Trust can be seen at CGTMSE's web-site at <http://www.cgtmse.in>

4. Can a Bank / Institution seek single guarantee cover or lump sum guarantee cover for all the loans outstanding in respect of all the eligible MSE borrowers?

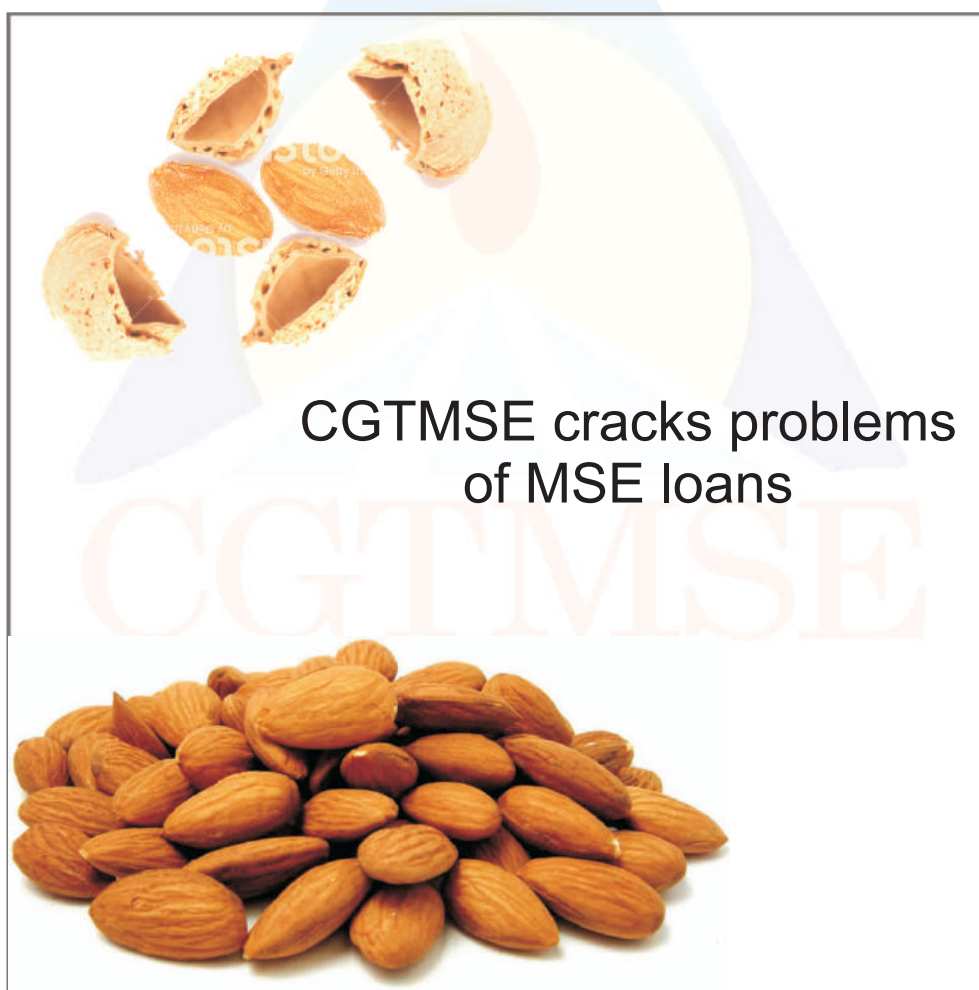
No, single guarantee cover or enblock guarantee cover for all outstanding loans is not permissible. Under the Scheme, applications are required to be filed by the MLIs, individually, in respect of each of the borrower. The Scheme provides for coverage of only new loans / renewed working capital limits sanctioned to manufacturing units in the micro & small enterprises in service sector excluding retail trade. The new credits sanctioned by MLIs in a quarter have to be covered under Guarantee Scheme as early as possible, in any case, not beyond the subsequent quarter. The applications are to be submitted by the identified branches, which have been allotted member Id, passwords by CGTMSE, using the member id in CGTMSE website (<http://www.cgtmse.in>).

5. Will payment of Guarantee Fee on the whole outstanding MSE portfolio of the MLI, with loans up to ₹ 200 lakh, is acceptable to CGTMSE?

No, Guarantee Fee is charged for each borrower on the guaranteed amount/ sanctioned amount and not on the outstanding amount. Under the Scheme applications are required to be filed by the Operating Offices of MLIs, individually, for each of the borrower for credit facilities extended.

6. Does CGTMSE have branch offices in other cities in India?

CGTMSE has its Registered Office at Mumbai and does not have any branches. Since the entire operations are online, CGTMSE is able to cater to the needs of its MLIs from Mumbai.



I. Frequently Asked IT / System related Questions

(For MLI's only)

1. The system showing Invalid password message:

Kindly take adequate care while choosing password. The password is case sensitive and should not contain spaces in between. Special characters (e.g. @ # \$ % ^) are allowed. In case you forget your password, you may send email to support@cgtmse.in and gf@cgtmse.in requesting us to reset the password mentioning MLI ID, Zone name and username.

2. System gives "Is not a valid date" message:

The date is to be entered in DD/MM/YYYY format. For e.g. 31st December 2007 is to be entered as 31/12/2007. Or else, you may click on the icon available to the right of the date field and select the date.

3. Web browser compatibility for operating the CGTMSE application:

For using the CGTMSE application portal, please use Internet Explorer (IE) Version 7 or above instead of Google Chrome, Mozilla Firefox etc. In case of IE Ver 10 and above, please make Compatibility View Settings as under:

- i. Open Internet Explorer
- ii. Go to Tools → Compatibility View Settings
- iii. Add <http://www.cgtmse.in:8080/jsp/Home.jsp> in Add this website field.
- iv. Press Add button to save the settings.

4. If you are not able to save data or error like borrower does not exist appears in our database:

- i. Please clear cookies and temporary files from Tools → Internet Options → General → Browsing History → Delete → Delete
- ii. Restart the browser window.

5. Allocation of Demand Advise Numbers (DANs) is not saved:

The procedure for allocation of DAN is detailed below. Login to the website of CGTMSE

1. Go to Receipt Payments
2. Payment **Through RTGS/NEFT**
3. Select Allocate Payment from sub menu
4. Select the DANs to be allocated
5. Press Next Button, System will display
 - : Payment ID
 - : Amount,
6. Select the DANs to be allocated.

6. Account expired before tenure of the loan:

The account will be marked as expired in the following cases -

In case of Term Loan = Sanction date + tenure

Working Capital = Guarantee Start Date + tenure

Composite Loan (both TL and WC together) = Sanction date + tenure

7. Two CGPANs are allocated for the same working capital account:

This generally happens in two cases :

1. Guarantee Application is lodged twice.
2. Instead of enhancing the guarantee amount, a fresh guarantee application is lodged.

8. Unable to upload claim loan documents at Claim Processing → Claim for → Upload Loan Documents:

Upload documents only in the prescribed format viz. jpg, jpeg, pdf, and doc.

9. Closure of Guarantee:

MLIs can close the guarantee for a particular CGPAN from **Guarantee Maintenance → Request for Closure**. Otherwise request to CGTMSE for withdrawal of claim application where claim is lodged online.

CGTMSE

POINTS TO REMEMBER

- Credit Guarantee amount is to be entered in Rupees (not in lakhs of Rupees).
- Tenure of the loan is to be entered in Months (not in Years/ Quarters).
- Tenure of the loan includes moratorium.
- Type of activity is to be clearly mentioned.
- To check the status of guarantee application entered by MLIs, please use the report: Report & MIS → Application Status → enter application reference number. Or Reports and MIS → Application Details → Status Wise report.
- On approval and receipt of DAN, remit AGF within 30 days.
- Details of DANs are available at Reports and MIS → DAN Related Reports → DAN report ALL/ASF/GF. To check for the DAN for a particular CGPAN, please use Reports and MIS → Application Related Reports → CGPAN History.
- Allocation of payments can be done at Receipts & Payments → Payment through RTGS → Allocate Payments.
- After successful allocation, please go to **Initiate Payment** module to generate necessary information viz. Virtual A/c No., Amount and IFSC Code for making payment through NEFT/ RTGS from MLI's banking portal.
- All the payments are to be routed through Zonal/Regional offices of the concerned MLIs only.
- Please mention complete bank address for correspondence, with telephone No/Fax No/e-mail ID.
- For enhancement of working capital, MLIs are requested to go to Application Processing → Guarantee For → Enhancement in WC.
- Kindly note, the enhancement of Working Capital should not be entered as a fresh guarantee application. In case of enhancement of WC, no new application reference number/CGPAN is generated.
- For coverage of additional Term Loan of an existing borrower, MLIs are requested to go to Application Processing → Guarantee for → Additional Term Loan.
- For renewal of working capital, please apply through Application Processing → Guarantee For → Renewal of Cover for WC.

For any other help/queries please contact our **Toll-free No. 1800 222 659**

- For **modification in borrowers details and tenure** of the credit facility covered under CGTMSE, by using their existing user ID and password, MLI will login into the CGTMSE portal and submit the request for change in the borrower details by using the path:
Guarantee Maintenance → Modify borrower details.
Once the application is saved, the request will be available for approval by checker. Checker will have to login with the separate ID and password as allotted to them and use the following path: Guarantee Maintenance → Approve borrower details. (Refer Circular no.115).
The operating level officer of the concerned MLI ID shall use his existing ID and password and shall submit the request to the checker (approver) for change in tenure on the CGTMSE online portal by using the following path: Guarantee Maintenance → Request for Modification of tenure.
- AGF is to be paid as per the demand (DAN) amount generated by the system.
- AGF is demanded in advance for a particular Financial Year.
- Only on appropriation of First time charged AGF, MLI can apply for enhancement through : Application Processing → Guarantee For → Enhancement in WC.
- Reports in respect of approved Guarantees (MLI Wise / State Wise) can be generated through system in the Reports and MIS module. Within MLI Wise; Sector Wise Report can also be generated. For any additional data and MIS requirements, e-mail shall be send to mis@cgtmse.in only.
- NPA marking : If an account turns NPA after the expiry of CGTMSE tenure then the account cannot be marked as NPA in the system due to guarantee coverage not in force at the time of marking of NPA.
- MLIs can post their queries using an option 'Queries' available on screen after login to our website. MLIs can view the status of their query by using path: Reports & MIS → Status Wise query report → Open/Closed. CGTMSE's reply to the MLI queries would be available under Closed Status Wise query report and pending queries will appear under Open Status.

For any other technical help/queries regarding CGTMSE Portal
please contact: support@cgtmse.in

For any other help/queries please contact our **Toll-free No. 1800 222 659**

Annexure I

Credit Guarantee Fund Trust for Micro & Small Enterprises Specimen Application for Guarantee Initialisation

Fields marked as * are mandatory

*Bank / Institution Reference No. _____

*Bank / Institution Branch Name _____

Bank / Institution Branch Code _____

State of credit facility sanctioning /
Disbursing branch [Please note that in
case the state of controlling office and
credit facility sanctioning/disbursing branch
Is different, please ensure to
indicate the state of a later] _____

GSTIN No. _____

Borrower Details

Whether Borrower Covered by CGTMSE previously ☐ Yes ☐ No

If Yes, Please Provide

Borrower ID _____ CGPAN _____

Balance Amount available for Guarantee _____

*Constitution _____

*Borrower / Unit Name _____

*Unit Address _____ *State _____

*District _____ *City _____

*PIN code _____

ITPAN of Firm _____ SSI Registration Number _____

*Nature of Industry _____ Industry Sector _____

*Type of Activity _____ *Number of Employees _____

Whether the Unit is engaged in Training, Retail Trading, Buying & Selling and Constitution is SHG/JLG
☐ Yes ☐ No

*Projected Optimum Sales Turnover (in ₹) _____ Projected Optimum Exports (in ₹) _____

Promoter Details

Chief Promoter's Information

Name of the Chief Promoter _____

*Title _____ *First Name _____ Middle Name _____ *Last Name (Surname) _____

Name of Conducting Official _____

*Gender ☐ Male ☐ Female ITPAN of Chief Promoter _____

Whether the Chief Promoter belongs to Minority Community: ☐ Yes ☐ No

*Whether the Chief Promoter is Physically Handicapped: ☐ Yes ☐ No

Date of Birth _____ Social Category _____

Udyog Aadhar Number _____ Loan Account number _____

Other Partners / Promoter Directors

1. Name _____	ITPAN _____	Date of Birth _____
2. Name _____	ITPAN _____	Date of Birth _____
3. Name _____	ITPAN _____	Date of Birth _____

Project Details- Outlay

Whether Unit Assisted is a new unit: ☐ Yes ☐ No

Whether the Unit Assisted is Women Operated and/or Women Owned: ☐ Yes ☐ No

Whether the credit facility covered under NCGTC mudra guarantee programme: ☐ Yes ☐ No

Whether the Unit Assisted is an MSE as per the MSMED Act 2006 definition of MSE: ☐ Yes ☐ No

Whether the Unit Assisted is a Micro Enterprise as MSMED act 2006: ☐ Yes ☐ No

*Whether first charge on Primary Securities is available ☐ Yes ☐ No

*The scheme envisages creation of Primary Security out of the loan / credit provided to the borrower.

*Collateral Security Taken ☐ Yes ☐ No Third Party Guarantee ☐ Yes ☐ No

*Collateral security is any other security offered for the said loan. For example, hypothecation of jewellery, mortgage of house, etc.

#When the borrower furnishes the guarantee of any other person / corporate not connected with the project, it is considered as Third Party Guarantee.

Joint Finance

*Whether the credit is sanctioned under Joint Finance scheme: ☐ Yes ☐ No

Joint CGPAN (Existing CGPAN of this borrower) _____

Handicrafts

*Whether the credit is sanctioned under Artisan Credit Card (ACC) scheme for Handicraft Artisans operated by DC (Handicrafts), Govt. of India: ☐ Yes ☐ No

*Whether GF/ASF is re-imbursable from O/o DC(Handicrafts) Govt. of India: ☐ Yes ☐ No

I Card Number: _____ I Card Issue date: _____

Handlooms

* Whether the credit is sanctioned under DC(Handloom) scheme for Handloom Weavers ☐ Yes ☐ No

* If Yes, Please select the name of the Scheme _____

* If Yes, Please certify by ticking the checkbox. We certify that the credit facility being covered under CGTMSE and for which reimbursement of GF/ASF in being availed adheres to all guidelines as issued by Office of DC (Handloom) from time to time for sanction of Credit under the respective schemes.

***Credit facilities above ₹ 50 lakh and up to ₹ 100 lakh will have to be rated internally by the MLI and should be of investment grade. For loan facility up to ₹ 50 lakhs MLIs may indicate 'N.A' if rating is not available.**

*Internal Rating _____

Means of Finance

* Term Credit Sanctioned (in ₹) _____

*Working Capital Limit Sanctioned _____

Fund Based (in ₹) _____

Non Fund Based (in ₹) _____

Whether provided as margin money under Term Loan ☐ Yes ☐ No

Promoters Contribution (in ₹) _____ Promoters Contribution (in ₹) _____

Subsidy / Equity Support (in ₹) _____ Subsidy / Equity Support (in ₹) _____

Others (in ₹) _____ Others (in ₹) _____

Project Cost _____ Working Capital Assessed _____

Project Outlay (in ₹) _____

Loan Termination Date _____

Facility Details

Term Credit Details

Amount Sanctioned _____ *Date of Sanction _____
 *Credit to be Guaranteed (in ₹) _____
 Amount Disbursed (in ₹) _____ Date of first disbursement if already made _____
 Date of last and final disbursement if already made _____
 *Tenure [in Months] _____
 Interest Type ☐ Fixed ☐ Floating Type of Base Rate _____
 *Base Rate in % (p.a.) _____ *Interest Rate in % (p.a.) _____

Repayment Schedule

Moratorium [in Months] _____ First Installment Due Date _____
 Periodicity _____ *No of Installment _____
 Outstanding Amount (in ₹) as on _____

Working Capital

Interest Type ☐ Fixed ☐ Floating *Type of Base Rate _____ *Base Rate in % p.a.) _____

Limit Sanctioned

Fund Based Interest Rate in % (p.a.) _____ Date of Sanction _____
 Non Fund Based Commission % (p.a.) _____ Date of Sanction _____

Credit to be guaranteed

Fund Based (in ₹) _____
 Non Fund Based (in ₹) _____
 Amount Disbursed (in ₹) _____ Date of first disbursement if already made _____
 Date of last and final disbursement if already made _____

Outstanding Fund Based Facility

Amount (in ₹) _____ As On _____

Outstanding Non Fund Based Facility

Amount (in ₹) _____ As On _____

*We certify that the account is standard and regular as on date. We accept all Terms and Conditions of the Scheme. Click here to see terms and conditions :

Remarks _____

Terms & Conditions

It has been ensured that the name of the company/firm, list of Promoters, directors, partners or any of the group/ associate concerns does not appear in the following list issued from time to time:

1. Caution advices as advised by RBI and circulated to the Banks.
2. RBI list of non-suit filed accounts of wilful defaulters of ₹ 25 lakh and above.
3. RBI list of non-suit filed accounts of defaulters of ₹ 100 lakh and above.
4. CIBIL list of suit filed accounts of wilful defaulters of ₹ 25 lakh and above.
5. CIBIL list of suit filed accounts of defaulters of ₹ 100 lakh and above.

Annexure II

Credit Guarantee Fund Trust for Micro & Small Enterprises Specimen NPA Reporting Form

NPA Details for

General Details

CGPAN	Guarantee Start Date*	Sanction Date*	First Disbursement Date*	Last Disbursement Date*	First Installment Date*	Moratorium (in months)*	
						*Principal	Interest

NPA Details

NPA date*	DD MM YYYY
Is the NPA date as per the RBI guidelines*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you confirm the NPA date*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Reasons for account turning NPA*	
Enumerate efforts taken by MLI to prevent account turning NPA and minimising the credit risk*	
Has the account being restructured/rescheduled*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the project covered under CGTMSE guarantee, involve any subsidy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the subsidy been received?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the subsidy been adjusted?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Subsidy Last Received Date	DD MM YYYY
Subsidy Last Received Amount	DD MM YYYY
Last Inspection Date*	DD MM YYYY

Repayment (before NPA date exclusive of subsidy) and Outstanding amount Details

CGPAN	Total Amount Disbursed*	Repayment (before NPA date)*		Outstanding amount (as on NPA date)*	
		*Principal (in ₹)	*Interest (in ₹)	*Principal (in ₹)	*Interest (in ₹)

Note: The outstanding amount for Term Loan as on date of NPA has been derived by deducting Principal repayment from total disbursement/ Guarantee amount whichever is lower and adding one quarter interest. Provided the amount due does not exceeds the Guarantee amount.

NPA Details for

Primary Security Details

Particulars	Security		Net worth of guarantor/ Promoter (in ₹)	Reasons for Reduction in the value of Security, if any
	Nature	Value (in ₹)		
As on Date of Sanction of Credit	Land			
	Building			
	Plant and Machinery			
	Other Fixed / Movable Assets			
	Current Assets			
	Others			
	Total			
As on Date of NPA	Land			
	Building			
	Plant and Machinery			
	Other Fixed / Movable Assets			
	Current Assets			
	Others			
	Total			

Annexure III

Credit Guarantee Fund Trust for Micro & Small Enterprises

FORM FOR FIRST INSTALMENT OF CLAIM

Application For Invocation of Guarantee Cover and Preferment of Claim under CGTMSE

In terms of Clause 10 of Credit Guarantee Fund Scheme for Small Industries (CGFSI), we prefer the Claim on CGTMSE as under

Details of Operating Office and Lending Branch

Member Id		
Lending Bank Name		City
Complete Address		
District:		State State of credit facility sanctioning / Disbursing branch [Please note that in case the state of controlling office and credit facility sanctioning/dispensing branch is different, please ensure to indicate the state of a later]
Email		
Telephone No.		GSTIN NO.
Dealing Officer Name*		

Borrower's /Unit's Details

Name of Conducting Official		
Complete Address		City
District:		State
Pin Code		
Whether the Unit Assisted is an MICRO as per the MSMED Act 2006 definition of MSE:*	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Status of Account(s)

Date on which Account was Classified as NPA	
Wilful defaulter*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Has the account been classified as fraud*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Internal and/or external enquiry has been concluded	<input type="checkbox"/> Yes <input type="checkbox"/> No
Involvement of staff of MLI has been reported	<input type="checkbox"/> Yes <input type="checkbox"/> No
Reasons for Account turning NPA	
*Date of issue of Recall Notice	Upload File
Provide satisfactory reason for issuing recall notice prior to NPA date	<input type="checkbox"/> Yes <input type="checkbox"/> No

Details of Legal Proceedings

Forum through which legal proceedings were initiated against borrower *		Other Forums
Suit / Case Registration No.*		Filing Date
Provide satisfactory reason for filing suit before NPA date		
Date of possession of assets under sarfaesi act*		
Location*		
Amount Claimed in the Suit (in ₹)*		
Any Attachments*		

Subsidy Details

Does the project covered under CGTMSE guarantee, involve any subsidy?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Has the subsidy been received after NPA?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Has the subsidy been adjusted against principal/interest over dues?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Subsidy Credit Date		Subsidy Amount	

Term Loan (TL) / Composite Loan Details

S. No.	CGPAN	Date of Last Disbursement*	Total Amount Disbursed(₹)*	Repayments (in ₹)*		Outstanding As On Date of NPA (in ₹) #*	Outstanding stated in the Civil Suit / Case filed (in ₹) #*	Outstanding As On Date of Lodgement of Claim (in ₹) #*
				Principal*	Interest and Other Charges*			

- Mention only Principal and Interest Outstanding

Recovery made from Borrower / Unit after account classified as NPA

S. No.	CGPAN	Term Loan / Composite Loan (in ₹)*		Working Capital (in ₹)*		Mode of Recovery*
		Principal*	Interest and Other Charges*	Amount Including Interest*	Other Charges*	

Have you ensured inclusion of unappropriated receipts also in the amount of recovery after NPA indicated above?*	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA
Do you confirm feeding of correct value as recoveries after NPA?*	<input type="checkbox"/> Yes <input type="checkbox"/> No
If recovery is done through OTS, indicate the date of seeking approval of CGTMSE for OTS	

Security and Personal Guarantee Details

Particulars	Security		Net worth of Guarantor(s)/ Promoter(s) (in ₹)*	Reasons for Reduction in the value of Security, if any*
	Nature	Value		
		(in ₹)*		
As on Date of Sanction of Credit	Land			
	Building			
	Plant and Machinery			
	Other Fixed / Movable Assets			
	Current Assets			
	Others			
	Total		Depreciation	
As on Date of NPA	Land			
	Building			
	Plant and Machinery			
	Other Fixed / Movable Assets			
	Current Assets			
	Others			
	Total		Select	
As on Date of Preferment of Claim	Land			
	Building			
	Plant and Machinery			
	Other Fixed / Movable Assets			
	Current Assets			
	Others			
	Total		Select	

Total amount for which guarantee claim is being preferred:

S. No.	CGPAN	Loan / Limit Covered under CGTMSE	*Amount Claimed (in.₹)#

General Information

MLI's Comment on financial position of Borrower/Unit *	
Details of Financial Assistance provided/being considered by MLI to minimize default *	
Does the MLI propose to provide credit support to Chief Promoter/Borrower for any other project *	<input type="checkbox"/> Yes <input type="checkbox"/> No
Details Of Bank Facility already provided to Borrower *	
Does the MLI advise placing the Borrower and/or Chief Promoter under watch-List of CGTMSE *	<input type="checkbox"/> Yes <input type="checkbox"/> No
Remarks	

- Amount Eligible for claim is 50% / 75% / 80% / 85% of:

1. Term Loan / Composite Loan: Lower of
 - a) Principal Amount outstanding in the account as on the date on which the account was classified as NPA after netting off any repayment / recovery made under the account after date of NPA (or)
 - b) the TL / Composite Loan covered under the CGTMSE
2. Working Capital: Lower of
 - a) Outstanding amount including interest in the account as on date account was classified as NPA after netting off any repayment / recovery made under the account after the date of NPA (or)
 - b) the WC limit covered under the CGTMSE

Annexure IV

Declaration and Undertaking by MLI (Bank / Institution)

(To be signed by the officer not below the rank of Assistant General Manager or of equivalent rank of Bank)

Declaration – We declare that the information given above is true and correct in every respect. We further declare that there has been no fault or negligence on the part of the MLI or any of its officers in conducting the account. We also declare that the officer preferring the claim on behalf of MLI is having the authority to do so.

We hereby declare that no fault or negligence has been pointed out by internal / external auditors, inspectors of CGTMSE or its agency in respect of the account(s) for which claim is being preferred.

Undertaking – We hereby undertake:

- a) To pursue all recovery steps including legal proceedings.
- b) To report to CGTMSE the position of outstanding dues from the borrower on half-yearly basis (as on 31st March and 30th September of each year till final settlement of guarantee claim by CGTMSE).
- c) To refund to CGTMSE the claim amount settled along with interest thereof at 4% over and above the prevailing bank rate, if in the view of CGTMSE we fail or neglect to take any action for recovery of the guaranteed debt from the borrower or any other person from whom the amount is to be recovered.
- d) On payment of claim by CGTMSE, to remit to CGTMSE all such recoveries, after adjusting towards the **legal expenses** incurred for recovery of the amount, which we or our agents acting on our behalf, may make from the person or persons responsible for the administration of debt, or otherwise, in respect of the debt due from him / them to us.

Signature _____

Name of the official _____ Designation _____

MLI Name & Seal _____

Date _____ Place _____

Checklist mandatorily to be filled for this claim (Mandatory for cases where claim eligible amount is ₹ 20 Lakh & above)

Please press here for filling checklist.

Based on above condition checklist will be enable or disable.... if enable please fill ... if disable ignore...

- 1) CGTMSE reserves the right to ask for any additional information, if required.
- 2) CGTMSE reserves the right to initiate any appropriate action / appoint any person / institution etc. to verify the facts as mentioned above and if found contrary to the declaration, reserves the right to treat the claim under CGTMSE invalid.

**Checklist to be submitted by MLI alongwith claim lodgement
Applicable for claim eligible amount of Rs 20 Lakh and above**

All Fields are mandatory

Sr. No.	Description	Yes/No.	Comments/Observations
1.	Activity is eligible as per Credit guarantee Scheme.		
2.	Whether CIBIL done/CIR/KYC obtained and findings are satisfactory.		
3.	Rate charged on loan is as per CGS guidelines.		
4.	Third party guarantee/collateral security stipulated.		
5.	Date of NPA as fed in the system is as per RBI guidelines.		
6.	Whether outstanding amount mentioned in the claim application form is with respect to the NPA date as reported in the claim form.		
7.	Whether serious deficiencies /irregularities observed in the matter of appraisal/renewal/disbursement/follow up/conduct of the account.		
8.	Internal rating was carried out and proposal was found of Investment Grade.(applicable for Loans sanctioned above 50 Lakh)		
9.	Whether all the recoveries pertaining to the account after the date of NPA and before the claim lodgment have been duly incorporated in the claim form.		

Annexure V

BANK MANDATE FORM

(Please fill in the information in CAPITAL LETTERS. Please TICK wherever it is applicable)

1. Name of Member Lending Institution / Bank : _____
2. Member ID [As given by CGTMSE]: _____
3. Address of member ID : _____

City with pin-code: _____ PAN No.: _____

E-mail id: _____

Ph. No. with STD code: _____ Mob. No. _____

3. Particulars of Bank account:

Beneficiary – cum – name of bank / member		As mentioned above															
Address and pin-code		As mentioned above				Branch City				As mentioned above							
Type of account (Pl tick)		Saving / Current				Branch Code [of member id]											
MICR No.																	
Account Number																	
IFSC CODE	For RTGS transfer																
	For NEFT transfer																

4. Date from which the mandate should be effective: 15th October, 2012

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected for reasons of incomplete or incorrect information, I shall not hold CGTMSE / IDBI Bank responsible. I also undertake to advise any change in the particulars of my account to facilitate up-dation of records for purpose of credit of amount through RBI RTGS/NEFT. I authorize CGTMSE to credit the proceeds of Claims to the above mentioned account pertaining to Member id No. _____ (Pl. mention member id no. as given by CGTMSE).

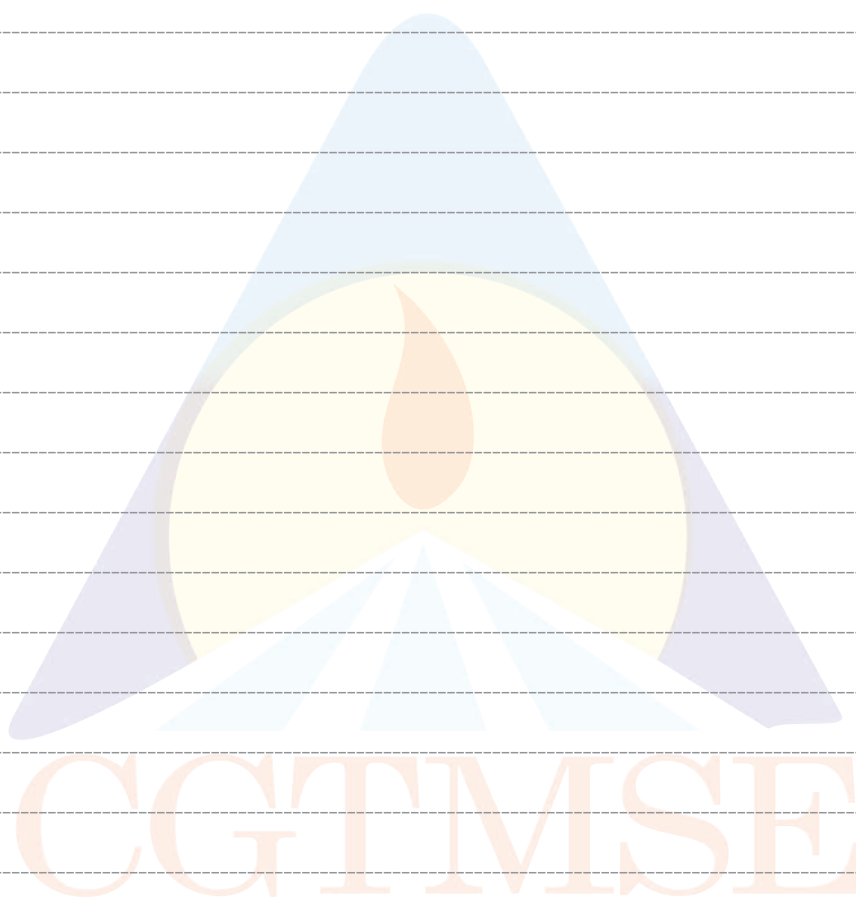
Certified that particulars furnished above are correct as per our records.

Bank's stamp (Seal):

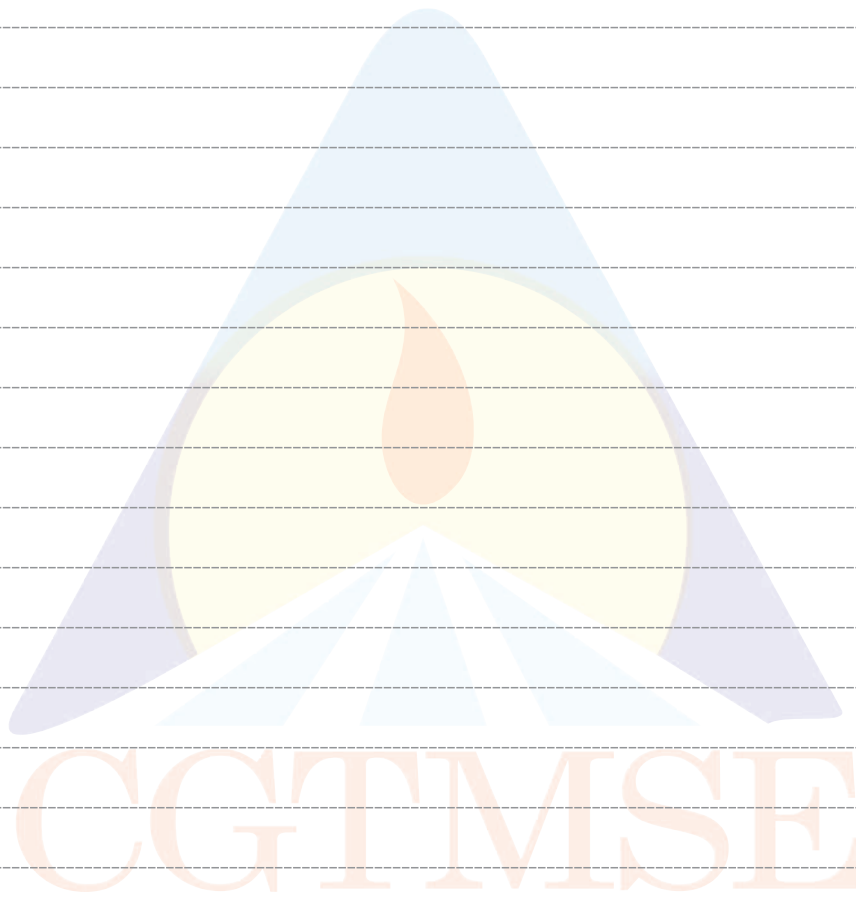
Date :

(Name and Signature of the Authorized Official)

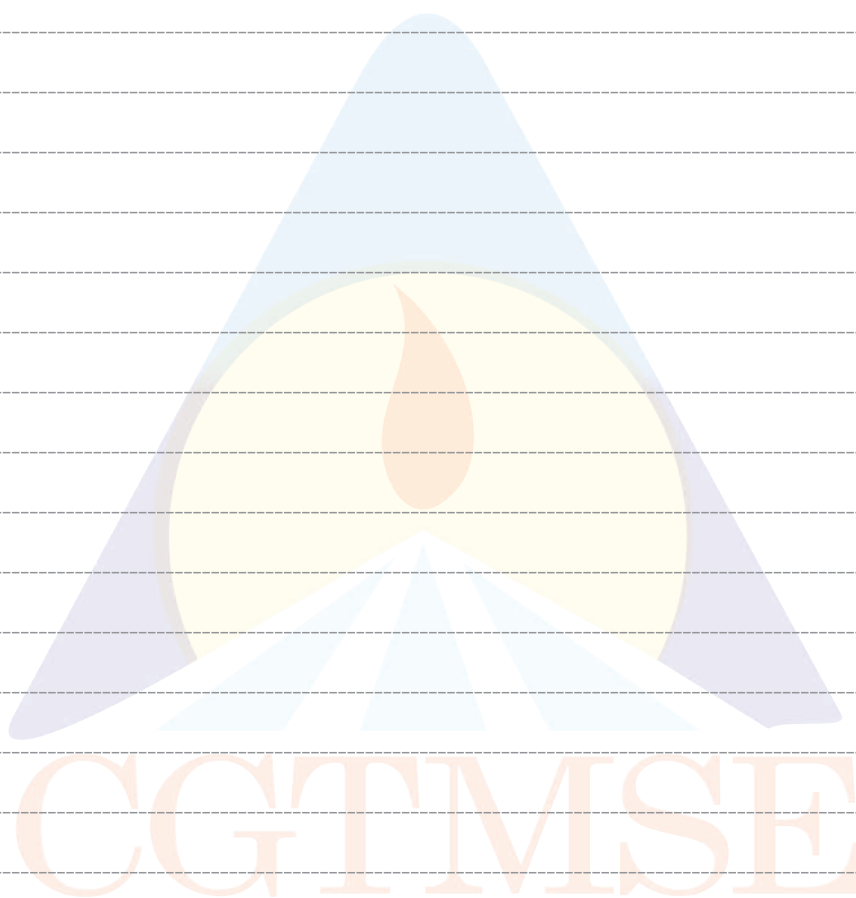
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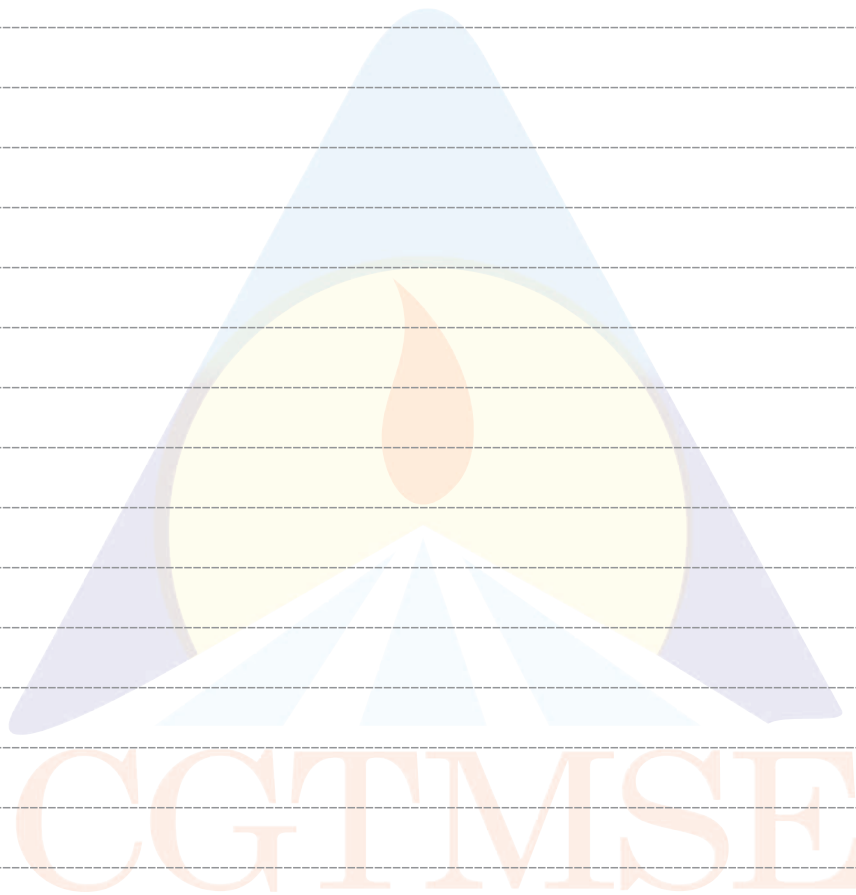
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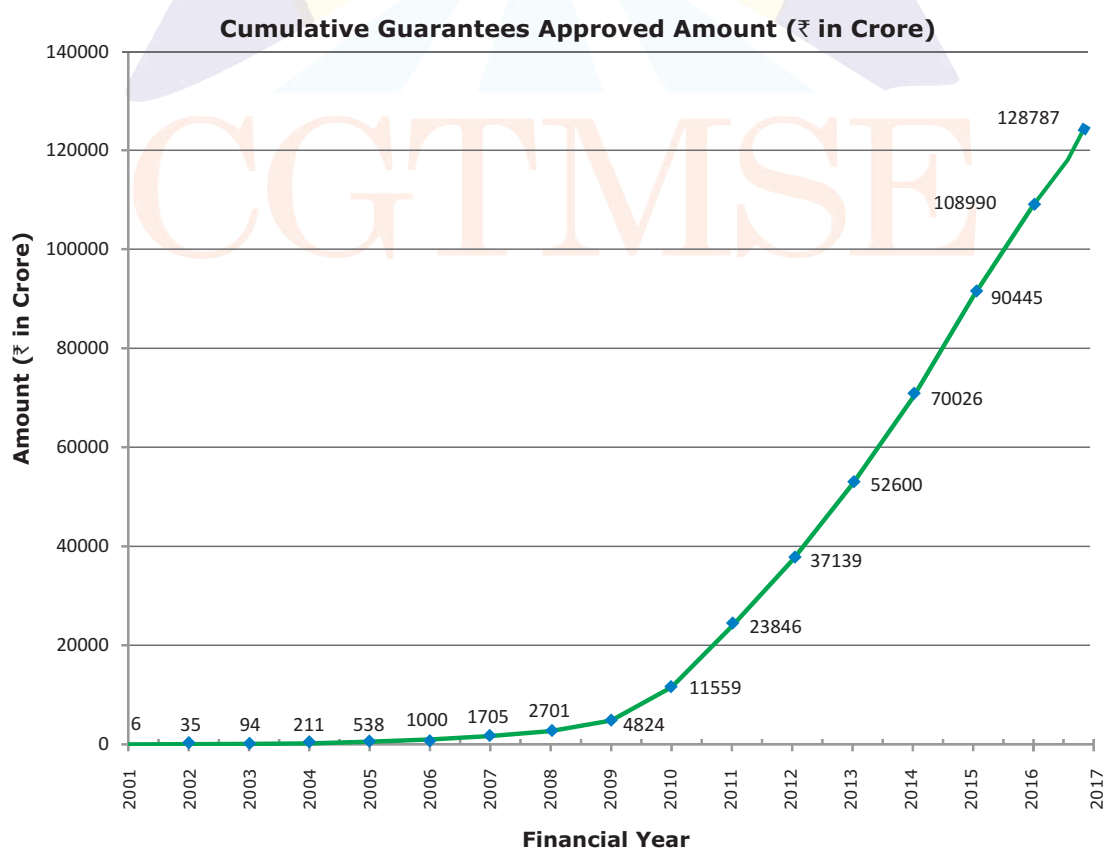


NOTES



Guarantee Performance

Year	No. of Active MLIs	No. of Credit Facilities Approved	Amount of Guarantees Approved (₹ in Crore)	Cumulative Guarantees Approved (₹ in Crore)
FY 2000 - 01	9	951	6.06	6.06
FY 2001 - 02	16	2296	29.52	35.58
FY 2002 - 03	22	4955	58.67	94.25
FY 2003 - 04	29	6603	117.60	211.85
FY 2004 - 05	32	8451	267.46	538.62
FY 2005 - 06	36	16284	461.91	1000.53
FY 2006 - 07	40	27457	704.53	1705.06
FY 2007 - 08	47	30285	1055.84	2701.59
FY 2008- 09	57	53708	2199.40	4824.34
FY 2009 - 10	85	150034	6875.11	11559.61
FY 2010 - 11	106	254000	12589.22	23846.01
FY 2011 - 12	109	243981	13783.98	37139.31
FY 2012 - 13	117	288537	16062.48	52600.07
FY 2013 - 14	117	348475	18188.12	70026.28
FY 2014 - 15	119	403422	21274.82	90445.90
FY 2015 - 16	119	513978	19949.38	108990.85
FY 2016 - 17	116	452127	19931.00	128787.00





सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय
Ministry of Micro, Small & Medium Enterprise

Registered Office of CGTMSE :

सी.जी.टी.एम.एस.ई. का पंजीकृत कार्यालय

1002-1003, नमन सेन्टर, दसवीं मंजिल,
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बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पू), मुंबई 400 051.

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