

Ref. No. CGTMSE /44/06

April 01, 2021

To All Eligible Non-Banking Finance Companies

Circular No.176 / 2021 – 22

Madam / Dear Sir,

Non-Banking Finance Companies (NBFCs) Scheme Modification

Please refer to our Circular No. 123/2016-17 dated January 25, 2017 with regard to introduction of Credit Guarantee Scheme for Non-Banking Finance Companies (NBFCs) (CGS-II) under which guarantee coverage is being extended to eligible NBFCs in respect of collateral free credit facilities extended by them to Micro and Small Enterprises (MSEs). Subsequently, considering the role played by NBFC's in the MSE eco-system various modifications have been carried out in the past to support more and more MSEs.

In order to have uniform guidelines for both the guarantee schemes (CGS-II is in addition to CGS-I Scheme which is applicable to Banks/FIs), it has been decided to carryout the following modifications in the existing CGS-II Scheme:

- i. Guarantee coverage available will be to the extent of 50% of the guaranteed amount as applicable to retail trade segment.
- ii. NBFCs can charge interest rate upto 18% p.a. on the loans proposed to be considered under CGTMSE.
- iii. Initiation of legal action of atleast Arbitration proceedings including issue of demand notice post declaration of NPA will be a pre-requisite for lodgement of claims
- iv. The payout cap will be 2 times of the receipts (i.e. guarantee fee paid to CGTMSE plus recoveries passed on to CGTMSE post claim settlement)

The above modifications will come into effect from April 01, 2021. All cases eligible for guarantee coverage as per guidelines can be covered by the NBFCs.

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

Yours faithfully,

Sd/-
(Jigar Shah)
Chief Operating Officer

