cgtmse

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Credit Guarantee Scheme - I & II

All Member Lending Institutions (MLIs) of CGTMSE

Circular No.212 / 2022 – 23

Madam / Dear Sir,

Manipur Credit Guarantee Scheme (MCGS)

We are pleased to inform that CGTMSE has collaborated with the Government of Manipur for introducing a Special Credit Guarantee Scheme. Accordingly, a Special Credit Guarantee Scheme called as "Manipur Credit Guarantee Scheme (MCGS)" has been launched for the MSEs situated in the state of Manipur. Under the Scheme, 75% - 85% of the guarantee coverage for a credit facilities will be provided by CGTMSE as being hitherto and balance 25% - 15% coverage shall be provided by Government of Manipur, out of the corpus Fund to be placed by it with CGTMSE, taking the overall guarantee coverage to 100%.

All the existing MLIs (including NBFCs) shall be eligible under MCGS. However, guarantees shall be approved only after the guarantee application has been cleared by the State Government for coverage under MCGS. MLIs have to submit the guarantee application on CGTMSE portal as being done hitherto by them. The guarantee applications not cleared by the State Government for coverage under MCGS will be covered under CGS – I & II of CGTMSE as the case maybe. The Scheme guidelines is given at ***Annexure***.

The Scheme shall come into operation from January 01, 2023. This initiative will support meeting the needs of financial assistance to the MSEs in the State of Manipur. We look forward to you for popularizing MCGS & ensuring that the benefit of the Scheme are properly actualised.

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

Yours faithfully,

Sd/-

(Dhiraj Kumar)
Asst General Manager

Annexure

Government of Manipur
Manipur Credit Guarantee Scheme "MCGS"

Guidelines for operation of MCGS

I. INTRODUCTION

1. Title and date of commencement

1) The Scheme shall be known as the Manipur Credit Guarantee Scheme (MCGS) for Micro and Small Enterprises, and it is implemented in collaboration with CGTMSE and Government of Manipur (GoM).
2) The Scheme shall be operational from January 01, 2023.

2. Definitions

For the purposes of this Scheme –

1) **"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 lodgment of claim application whichever is lower or such other date as may be specified by CGTMSE for preferring any claim against the guarantee cover subject to a maximum of amount guaranteed.

2) **"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.

3) **"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. as part of working capital) facilities extended by the lending institution to the eligible borrower. For the purpose of calculation of guarantee fee, the "credit facility extended" shall mean the amount of financial assistance committed by the lending institution to the borrower, whether disbursed or not. For the purpose of the calculation of guarantee fee, the credit facility extended shall mean the credit facilities (both fund and non-fund based) covered under MCGS of CGTMSE and for which guarantee fee has been paid, as of March 31st, of the relevant year.

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

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

5) **‘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.

6) **“Lending Institution(s)”[LI]** means a commercial bank for the time being included in the second Schedule to the Reserve Bank of India Act,1934, Regional Rural Banks, NBFCs, New Age Fin-Tech NBFCs, Scheduled Urban Co-operative Banks, Small Finance Banks or any other Lending Institution 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. In cases where institutions do not meet the eligibility criteria of CGTMSE, such lending institutions would be included to cover cases on a special recommendation from State Government of Manipur with due approval from CGTMSE.

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

MSE means an enterprises based in Manipur defined and classified as follows:

(i) A Micro enterprise where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees.
(ii) A Small enterprise where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees as accepted to be in effect from 01.07.2020 under the MSMED Act, 2006 as per extant amendment/modification to the same under the said Act from time to time.

8) **“Material Date”** means the date on which the annual guarantee fee on the amount covered in respect of eligible borrower is paid / credited to the Trust by the Member lending institution under the MCGS**.**

9) **“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.

10) **“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.

11) **Property Ownership details** means land property in the name of the borrower (the sole proprietor, each of the partners in case of partnership/ limited liability partnership, each of the trustees in case of trust, the Karta and coparceners in case of HUF and each of the promoter directors in case of private public limited companies) and the owner of the collateral security.

12) **“Scheme”** means Manipur Credit Guarantee Scheme (MCGS)**.**

13) **“SIDBI”** means the Small Industries Development Bank of India, established under Small Industries Development Bank of India Act, 1989 (39 of1989).

14) **“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.

15) **“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.

16) **“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 & Co parceners in case of HUF and promoter directors in case of private/ public limited companies and owner of the immovable property in case of guarantee under Hybrid / Partial collateral security model.

17) **“Portfolio”** means cumulative built up of eligible yearly guarantee coverage issued to a Member Lending Institution. Each Portfolio of MLI would get crystallized at the end of financial year (March 31 every year) in which the portfolio is built up and the guarantee cover is issued. Accordingly, fresh portfolio would commence from the beginning of the subsequent financial year.

18) **“Date of Crystalization of the Portfolio”** would be at the end of the financial year in which the portfolio is built up and the guarantee cover is issued.

19) “**State Government Fund”** is the fund placed by Government of Manipur with CGTMSE as committed and decided mutually.

II. SCOPE AND EXTENT OF THE SCHEME

3. Guarantees by the Trust

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

(ii) Such guarantee under the Scheme will be issued only after the guarantee application has been cleared by the State Government for coverage under MCGS. For this, all applications received by CGTMSE from its various MLIs, will be made available to the designated nodal officer of the Govt of Manipur. Only those cases will be covered under MCGS which will be cleared by the State Government. All such movement of information would be web-based with no manual intervention. The guarantee applications not cleared by the State Government for coverage under MCGS will be covered under CGS – I & II of CGTMSE as the case maybe.

(iii) 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 extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility

1) Not exceeding ₹200 lakh (Scheduled Commercial Banks, select Financial Institutions, NBFCs, Small Finance Banks(SFBs) and Scheduled Urban Co-operative Banks 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.
2) Not exceeding ₹50 lakh for Regional Rural Banks / select Financial Institutions;

Each Portfolio of MLI would get crystallized at the end of financial year (March 31 every year) in which the portfolio is built up and the guarantee cover is issued. Accordingly, fresh portfolio would commence from the beginning of the subsequent financial year.

The cap of ₹200 lakh is the maximum guarantee coverage limit per borrower based on the outstanding credit facilities and the borrowers can avail incremental credit facilities (i.e. to the extent of reduction in the outstanding exposure limit) under Credit Guarantee Scheme of CGTMSE, subject to maximum cap of ₹200 lakh.

Provided further that, as on the material date:

(i) Credit facility is standard and regular (not SMA) as per RBI guidelines in the books of the MLI; and /or
(ii) Credit facility is having nil overdues and not having been slipped into SMA 2, as defined by RBI (i.e account where overdue is between 61 to 90 days) for last one year with Lending Institution

(iii) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or

(iv) The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

Coverage to Trading (Retail/Wholesale Trade) is eligible.
Present limit is `200 lakh and same is subject to modification from time to time as per Credit Guarantee Scheme of the Trust

Coverage under Hybrid model of CGTMSE is also eligible.

Under "Hybrid Security" product, the MLIs are allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, upto a maximum of ₹200 lakh, can be covered under MCGS. CGTMSE will, however, have notional second charge on the collateral security provided by the borrower for the credit facilities extended. Under the hybrid security product, there is no requirement for MLIs to create security/charge in favour of CGTMSE by way of legal documentation.

Apart from Guarantee Coverage as provided in MCGS, all other norms for NBFCs will as per the extant guidelines as applicable under CGS II scheme of CGTMSE.

5. Credit facilities not eligible under the Scheme

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

(i) Any activity / MSE not satisfying the norms of CGTMSE credit Guarantee Scheme.

(ii) 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.

(iii) 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.

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

(v) 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.

(vi) 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.

(vii) Any credit facility which has been sanctioned by the lending institution against collateral security and/or third-party guarantee. However, after the introduction of Hybrid Security model, MLIs can cover the unsecured part of the credit facility(ies) under CGTMSE upto to the overall exposure of ₹200 lakh.

(viii) Any credit facility which has not been specifically approved by the State Government for coverage under MCGS.

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. Existing MLIs under CGS I & CGS II are eligible for coverage under MCGS. Lending Institutions who are otherwise not eligible under CGS I and CGS II scheme of CGTMSE are required to execute fresh agreement/undertaking with CGTMSE for MCGS as per eligible guidelines as applicable for that institution.

7. Responsibilities of lending institution under the scheme:

1) The lending institution shall evaluate credit applications by using prudent banking judgment 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.

2) The lending institution shall closely monitor the borrower account

3) 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.

4) 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.

5) 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.

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

8. Annual Guarantee Fee(AGF)

AGF will be charged on the amount guaranteed by CGTMSE for the first year and on the outstanding amount for the remaining tenure of the credit facilities as under:

AGF Structure – Standard Rate (SR)

Slab	Standard Rate (SR)*	Fee Rate after Discount	Fee Rate with Risk Premium			
		(-10%)	15%	30%	50%	70%
0-10 lakh	0.75	0.68	0.86	0.98	1.13	1.28
Above 10-50 lakh	1.10	0.99	1.27	1.43	1.65	1.87
Above 50-2 crore	1.20	1.08	1.38	1.56	1.80	2.04
**AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility. The standard rate is across all activity including trading activity.*						

The above rate is as per current fee structure and is subject to modification from time to time and will be applicable to all lending Institution taking coverage under MCGS. In such case, the relevant modified fee structure would be applicable.

In case of term loans, AGF for the amount guaranteed by CGTMSE would be calculated on outstanding amount as on 31st December against each guarantee account and for working capital, AGF for the amount guaranteed by CGTMSE would be calculated on present or expected outstanding of working capital limit as provided by MLI on yearly basis. The guarantee coverage shall be restricted to the outstanding amount on which fee is paid by the MLI. Online module for updating the outstanding amount in respect of eligible guaranteed loan accounts is made available between January 01- January 15 every year. However, online module for updating outstanding on real time basis shall also be made available under MCGS.

For cases covered under Hybrid Security Model, Guarantee fee will be charged on the guaranteed amount for the first year and on the outstanding amount after netting off collateral value and unsecured portion, if any, subsequently resulting in lower annual guarantee fee charged to MSEs.

9. Payment of AGF

(i) Annual Guarantee fee (first time fee) shall be paid to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of credit facility 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 2nd and last year and in full for the intervening years would be generated by 2nd week of February every year. AGF so demanded would be paid by the MLIs on or before 30th March each year or any other specified date by CGTMSE, of every year.

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

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

In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee / annual service fee, such deficiency / shortfall shall be paid by the eligible lending institution to the Trust together with interest on such amount 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 –

a. Excess remittance,

b. Remittance made more than once against the same credit application,

c. Annual Guarantee fee & or annual service fee not due,

d. Annual Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.

e. In case of pre-closure / request for refund, refund of proportionate annual guarantee fee (GF/AGF/ASF) will be allowed only where closure is marked in CGTMSE system / refund request is within 3 months from the date of receipt of fee by CGTMSE. To claim refund in case of pre-closure, it is mandatory to mark closure of account in the system. Any pre-closure marked / refund request received after 3 months from the date of receipt of fee by CGTMSE would not be considered.

10. Payment process

Online payment process for remitting the annual guarantee fee payment through NEFT/ RTGS is developed

Annual Guarantee Fee (AGF) demanded by the Trust is inclusive of applicable GST.

11. Revival of closed accounts

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

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

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

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

III. GUARANTEE

12. Extent of the Guarantee Coverage

The Guarantee Coverage under MCGS is eligible for MSE units as follows:

Credit Facility	Category of Borrower	Maximum extent of Coverage (%)		
		CGTMSE	Manipur State Govt	Total

			(%)	
0 - `5 lakh	Micro	85%	15%	100%
Above `5 - `50 lakh	Micro & Small	80%	20%	100%
Above `50 - `200 lakh	Micro & Small	75%	25%	100%
Women Entrepreneur	Micro & Small	85%	15%	100%
MSEs situated in Aspirational District	Micro & Small	85%	15%	100%
ZED certified MSEs	Micro & Small	85%	15%	100%
SC/ST Entrepreneurs	Micro & Small	85%	15%	100%
All other eligible category	Micro & Small	75%	25%	100%

The above extent of coverage is as per current structure and is subject to modification from time to time and will be applicable to all lending Institution taking coverage under MCGS. In such case, the relevant modified structure would be applicable

The guarantee coverage under MCGS shall be 100% at unit level, as the case may be, upto the maximum NPA level of 10% of the crystalized portfolio of the MLI of a particular year.

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.

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.

IV. CLAIMS

13. Invocation of guarantee

MCGS's total guarantee coverage is maximum upto 10% NPA level of crystalised portfolio of MLI. The claims for the entire year will be processed for payment by MCGS after crystallization of the annual portfolio of the MLI with MCGS.

NPA marking

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

- The lending institution may invoke the guarantee in respect of credit facility within a maximum period of 3 years from the NPA date or lock- in period whichever is later if the following conditions are satisfied: -

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

II. 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/ material date in respect of credit facility to the borrower, whichever is later, has lapsed.

III. 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.

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

V. However, initiation of legal proceedings as a pre-condition for invoking of guarantees shall be waived for credit facilities having aggregate outstanding up to ₹1,00,000/-, subject to the condition that for all such cases, where the filing of legal proceedings is waived, a Committee of the Member Lending Institution (MLI) headed by an Officer not below the rank of Assistant General Manager should examine all such accounts and take a decision for not initiating legal action, and for filing claim under the Scheme. The limit for waiver of legal action is subject to modification from time to time as decided by Trust.

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

VII. Claims of the respective MLI will be settled to the extent of maximum 10% of the crystallized portfolio. Any claim lodged / received exceeding 10% of the crystallized portfolio will not be eligible for settlement towards State Government contribution.

- 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.

- The Trust shall pay 75 percent 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 (Including GoM share in the claim). 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. The balance 25 per cent of the guaranteed amount (Including GMA share in the claim) 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.

- In the event of default, the lending institutions hall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to the Trust before it claims the remaining 25 per cent of the guaranteed amount.
- The lending institution shall be liable to refund the claim released by the Trust together with penal interest stipulated by CGTMSE, if any, if such are call 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.
- MLIs can update, allocate and remit the recoveries/ OTS amount received post settlement of first instalment of claim in the CGTMSE portal.
- While online lodgement of first claim, MLIs have to submit the Declaration & Undertaking (D&U) electronically along with the checklist displayed in the system.

<u>Settlement of second / final instalment</u>

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

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

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

iii. If no assets are available and the borrower is absconding, and the Net worth of the

Personal guarantor is significantly eroded.

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

The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution or after three years of obtention of decree of recovery, whichever is earlier. However, in cases where the legal action has been initiated under SARFAESI Act or RRA, the MLIs may be allowed to lodge 2nd claim after the lapse of three years from date of action under Section 13(4) of SARFAESI Act and the date of Recovery Certificate issued by the Tahsildar respectively subject to following confirmation from the MLIs:

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

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

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

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

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

e. 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.

f. 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 30days.

V. MISCELLANEOUS

15. Appropriation of amount received from the lending institutions

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

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

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

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

a. 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.

b. 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.

18. 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.

- 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.

- The Trust shall in so far 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 electronic information which are in his possession.

19. 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.

20. 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.

21. 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 there with, the decision of the Trust shall be final.

22. Supplementary and general provisions

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

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