

Ref. No. CGTMSE/44/ 37

May 19, 2023

To All Eligible Non-Banking Finance Companies

**Circular No.226 / 2023 - 24**

Madam / Dear Sir,

**Non-Banking Finance Companies (NBFCs) Scheme Modification**

Please refer to our Circular No.169/2020-21 dated April 24,2020 and Circular No. 182/2021-22 dated August 20,2021 with regard to registration criteria and Interest rate stipulation respectively applicable for Non-Banking Finance Companies (NBFCs) (CGS-II). Considering the role played by NBFCs in the MSE eco-system, various modifications have been carried out in the past to support more and more MSEs. Now, it has been decided to introduce following modifications in the existing CGS-II Scheme:

**1. Registration criteria for NBFCs-**

<b>NBFCs with Vintage up to 3 years</b>	<b>NBFCs with Vintage more than 3 years</b>
NBFC registered with RBI engaged in financing Micro and Small enterprises (MSE) as defined under the MSMED Act, 2020	NBFC registered with RBI engaged in financing Micro and Small enterprises (MSE) as defined under the MSMED Act, 2020
Minimum Capital to risk weighted asset ratio (CRAR) of 20%	Minimum Capital to risk weighted asset ratio (CRAR) of 15%
Net Non-Performing Asset (NPA) is less than or equal to 4 %.	Net Non-Performing Asset (NPA) is less than or equal to 4 %.
Should have completed one full fiscal year of operations and reported profit.	Should have reported profit in at least 2 years out of the last 3 years of audited financial statements.
Minimum Net Owned funds ₹ 20 crore and minimum asset size of ₹ 50 crore	Minimum Net Owned funds ₹ 50 crore and minimum asset size of ₹ 100 crore

**2. Risk-Based Pricing methodology**

- It has been decided to introduce Risk based Guarantee fee for the guaranteed portfolio based on the risk rating of the portfolio by the external rating agencies empanelled by CGTMSE.



### **3. Interest Rate Cap**

- All MSE Loans having Interest rate not exceeding 25% p.a. will be eligible for coverage under the Credit Guarantee Scheme of CGTMSE.

The above modifications will be effective from April 01, 2023.

All other Terms and Conditions of Credit Guarantee Scheme II shall remain unchanged.

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

**Yours faithfully,**

**Sd/-  
(Dhiraj Kumar)  
Deputy General Manager**