



Ref. No. CGTMSE / 44/ 255A

February 28, 2025

All Member Lending Institutions (MLIs) – (CGSCL) CGS III

Circular No. 249 /2024-25

Madam / Dear Sir,

Modification in the Credit Guarantee

Scheme for Co-Lending (CGSCL) (CGS -III)

Please refer to CGTMSE Circular no. 196/2021-22 dated February 25, 2022 regarding introduction of Co-lending Scheme. On a review, we have introduced some new provisions and few existing ones are modified. The details are given at **Annexure**.

The aforesaid modification shall be effective from March 01, 2025. The contents of this circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-

(Dhiraj Kumar)
Deputy General Manager

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट (भारत सरकार एवं सिडबी द्वारा स्थापित)
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Annexure

Modification in the Credit Guarantee

Scheme for Co-Lending (CGSCL) (CGS -III)

Sr. No.	Existing Clause	Modified / Additional Provision
1	Chapter II, Sr. No. 4 “Credit facilities eligible under the Scheme”	
	Not available	Member Lending Institutions (MLIs) can apply for guarantee cover anytime during the tenure of Loan provided the credit facility was not restructured / remained in SMA2 status in last 1 year from the date of submission of application.
2	To include under Chapter III Sr. No. 8.1 (ii). “Annual Guarantee Fee”	
	Presently – the Annual Guarantee Fee (AGF) shall be demanded in respect of all live covered accounts including accounts where claim has been lodged in the system.	The Annual Guarantee Fee shall be demanded in respect of all live covered accounts excluding the accounts where claim has been lodged in the system.
3	To include under Chapter V, Sr. No. 10 “Invocation of Guarantee”	
	Not Available	The accounts classified by the Lending Institution as Fraud / Willful defaulter / non-co-operative borrower shall not be considered eligible for Claim Settlement.
4	To include under Chapter V, Sr. No. 10 “Invocation of Guarantee”	
	Not Available	The account slipping into NPA within 90 days from the material date shall not be considered eligible for Claim Settlement.



5	Chapter V. Claims, Sr. No.10 “Invocation of Guarantee and Settlement of second/ final instalment”.	
	<p>The settlement of second / final instalment i.e., balance 25 per cent of the eligible claim amount will be settled on the conclusion of recovery proceedings provided minimum period of 3 years from the date of settlement of first claim has been lapsed or the date of final Award passed by the Arbitrator/Decree passed by the court whichever is earlier subject to following confirmation from the MLIs vide certificate/ declaration on the letter head signed and stamped by the authorized signatory.</p>	<p>Second / final instalment can be lodged after the completion of 3 years from the date of settlement of first claim or OTS (after the receipt of full and final OTS amount) whichever is earlier.</p>
6	Chapter IV) Sr no.11, (ii) “Subrogation of rights and recoveries on account of claims paid”	
	<p>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</p>	<p>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, after the account turning into NPA, 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 on proportionate basis by the lending institution based on total outstanding amount as on the date of NPA/recovery, 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 manner in which such payments are actually appropriated.</p>



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	manner in which such payments are actually appropriated.	The same will be applicable even for OTS settlement of such accounts. Except this, there is no change in other guidelines in this regard.
7	Chapter IV) Sr no.11, (iii) "Subrogation of rights and recoveries on account of claims paid"	
	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.	Every amount recovered and due to be paid to the Trust shall be paid by the lending institution on pro-rata basis. In case where legal action has been initiated, legal expense (which includes only court fees and advocate fees) will be netted off from total recovered amount and then, amount on pro-rata basis has to be returned to the Trust. However, if account is settled under OTS, and there are other loan accounts sanctioned by MLI but which are not covered under CGTMSE for the same borrower, then the MLI shall remit the OTS amount on the proportionate basis based on total outstanding amount as on OTS date.

