

CGTMSE/(44)/4417

January 09, 2017

Member Lending Institutions of CGTMSE
(All Scheduled Commercial Banks and Select FIs only)

Circular No.121/2016-17

Dear Sir,

Modification in the Credit Guarantee Scheme (CGS) –

Increase in ceiling of coverage

We are happy to inform that in terms of the announcement made by the Hon'ble Prime Minister, Government of India, in his address to the Nation on December 31, 2016, it has been decided to increase 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).

The consequential changes in the CGS are given below:

Chapter I – Clause 2 (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.

Chapter II – Clause 4)_(para-1).

Credit facility eligible under the Scheme:

The Trust shall cover credit facilities (Fund based and / or Non fund based) extended by Member Lending Institutions (MLIs) to a single eligible borrower in the Micro and Small Enterprise's 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) by way of term loan and / or working capital facilities, without any collateral security and / or third party guarantee.

Chapter II - Clause 5 (Serial No. vi)

Credit facilities not eligible 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. (including cost of guarantee cover) would be eligible for coverage under CGS. This supersedes the existing guidelines of CGTMSE on ceiling of interest rate that could be charged by MLIs on guaranteed loans. 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.

Chapter IV – Clause 9 (Para.1)

Extent of guarantee

The Trust shall provide guarantee as under:

Category	Maximum extent of Guarantee where credit facility is		
	Upto 5 lakh	Above 5 lakh upto 50 lakh	Above 50 lakh and upto 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 Entrepreneur's/Units located in North East Region (including Sikkim) (other than credit facility upto 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	
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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. 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 cost of guarantee cover will be as per the extent guidelines.

All other terms and conditions of existing CGS, along with its subsequent amendments, would remain unchanged.

You are requested to bring the contents of the circular to the notice of all your operating offices (Zonal / Regional/ Branch Offices).

Yours faithfully,

(S. S. Bakshee)

General Manager