



MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES  
GOVERNMENT OF INDIA

# **GUIDELINES FOR CREDIT GUARANTEE SCHEME FOR SUBORDINATE DEBT (CGSSD) FOR STRESSED/NPA MSMEs**

**Effective from 24<sup>th</sup> June, 2020**

ए. के. शर्मा  
सचिव  
A. K. Sharma  
Secretary



**MSME**  
भारत सरकार  
सूक्ष्म, लघु और मध्यम उद्यम मंत्रालय  
GOVERNMENT OF INDIA  
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

No. 1(64)/CLCSS/ Policy/2019-20 (Pt.2)

Dated: 02.07.2020

Dear Sir,

You may be aware that following the announcement of the Hon'ble Finance Minister under the Atmanirbhar Bharat package on 13.5.2020, the 'Distressed Assets Fund - Subordinate Debt for Stressed MSMEs' was approved by the CCEA. Subsequently, after extensive discussions with the Department of Financial Services (DFS), RBI and the DOE, the scheme guidelines were approved on 24th June, 2020 and circulated. Copy enclosed herewith.

2. You are aware that the scheme is very crucial at this point of time for the MSME sector. It will provide benefit to those MSMEs that are in financial stress though they may be commercially viable. Providing them the funds for infusion in the form of fresh equity is perhaps the only way to revive such units. Under the proposed arrangement, promoter of the MSME with SMA-2 and NPA accounts are to be given guarantees by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). However, the implementation and success of the scheme will largely depend on the response of the Scheduled Commercial Banks in their capacity of Member Lending Institutions (MLIs).

3. Now, to take the process forward, your continued support, monitoring and intervention will be badly required. I request that the performance of the MLIs may be reviewed and monitored regularly at the level of the State Government and District Administration. In particular, the MLIs may be asked to publicize and implement the scheme effectively and expeditiously so that desired outcome may be achieved. Setting up a regular monitoring mechanism at the State level in this regard will help in this process.

With Kind Regards,

sd/-  
A. K. Sharma  
Secretary, MSME

Chief Secretaries of all States & UTs

Industry Secretaries of all States & UTs

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Dated: 02.07.2020

No. 1(64)/CLCSS/ Policy/2019-20 (Pt.2)

Dear Sir,

You may kindly recall that under the Atmanirbhar Bharat package, a 'Distressed Assets Fund - Subordinate Debt for Stressed MSMEs' was approved by the Government. Subsequently, under your active and kind guidance and in consultation with DFS and DOE, the scheme guidelines were approved on 24th June, 2020 and circulated. Copy enclosed herewith.

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3. Once again, I thank you for your kind guidance and support in structuring the scheme. However, to take the process forward, your continued support and further intervention will be required. I request that necessary advice may kindly be given to the MLIs. In particular, the MLIs may be asked to publicize and implement the scheme effectively and expeditiously so as to achieve the desired outcome.

With Kind Regards,

sd/-  
A. K. Sharma  
Secretary, MSME

Shri Shaktikanta Das  
Governor,  
Reserve Bank of India

Copy to:

Shri Debasish Panda, IAS  
Secretary,  
Department of Financial Services,  
Jeevan Deep Building, Sansad Marg  
New Delhi.

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2. You are aware that the scheme is very crucial at this point of time for the MSME sector. It will provide benefit to those MSMEs that are in financial stress though they may be commercially viable. Providing them the funds for infusion in the form of fresh equity is perhaps the only way to revive such units. Under the proposed arrangement, promoter of the MSME with SMA-2 and NPA accounts are to be given guarantees by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). However, the implementation and success of the scheme will largely depend on the response of the Scheduled Commercial Banks in their capacity of Member Lending Institutions (MLIs).

3. I thank you once again for your guidance and support in structuring the scheme. However, to take the process forward, your continued support and further intervention will be required. I request that necessary instructions and advice may be given to the MLIs. In particular, the MLIs may be asked to publicize and implement the scheme effectively and expeditiously in its true spirit. I also request that the performance of the MLIs may be reviewed and monitored in the DFS on a regular basis.

With Kind Regards,

sd/-  
A. K. Sharma  
Secretary, MSME

Shri Debasish Panda, IAS  
Secretary,  
Department of Financial Services,  
Jeevan Deep Building, Sansad Marg  
New Delhi.



Ref. No. CGTMSE / 03

June 24, 2020

To all Scheduled Commercial Banks,

Circular No. 170 / 2020 - 21

Madam / Dear Sir,

**Credit Guarantee Scheme for  
Subordinate Debt for stressed MSMEs**

We are pleased to inform that Government of India has introduced "Distressed Assets Fund - Subordinate Debt for Stressed MSMEs". In this connection, a Credit Guarantee Scheme for Subordinate Debt (CGSSD) has been launched under which guarantee coverage would be provided to Scheduled Commercial Banks which are Member Lending Institutions (MLIs) of CGTMSE for facilitating support to stressed MSMEs.

The objective of the Credit Guarantee Scheme is to facilitate loans through Banks to the promoters of stressed MSMEs for infusion as equity / quasi equity in the business eligible for restructuring, as per RBI guidelines. The Scheme guidelines, FAQs and Format of Undertaking for registration is given at **Annexure**.

The Scheduled Commercial Banks are requested to approach CGTMSE for completing the formalities with regard to registration as Member Lending Institution of CGTMSE.

We are sure that the Banks would take full advantage of the scheme and, thereby, help the stressed MSMEs.

In case of any clarifications relating to the scheme guidelines, please feel free to write at [querysubdebt@cgtmse.in](mailto:querysubdebt@cgtmse.in) / [ceosecretariat@cgtmse.in](mailto:ceosecretariat@cgtmse.in).

Yours faithfully,

(Y Venugopal Rao)  
Chief Executive Officer

Encl. : As above



# CREDIT GUARANTEE SCHEME FOR SUBORDINATE DEBT (CGSSD)

## 1. Introduction

Ministry of Micro, Small and Medium Enterprises, has framed a Scheme for the purpose of providing guarantees in respect of credit facilities extended by eligible and registered scheduled commercial banks to borrowers in Micro, Small and Medium Enterprises (MSMEs). The scheme will be operationalized through a special window created for this purpose under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Details of the scheme are as under:

## 2. Name of the Scheme

The Scheme is named as 'Distressed Assets Fund - Subordinate Debt for Stressed MSMEs' and the credit product for which guarantee would be provided under the Scheme shall be named as 'Credit Guarantee Scheme for Subordinate Debt (CGSSD)' (hereinafter referred as the 'Scheme')

## 3. Purpose of the Scheme:

To provide guarantee coverage for the CGSSD to provide Sub-Debt support in respect of restructuring of MSMEs. 90% guarantee coverage would come from scheme/ Trust and remaining 10% from the concerned promoter(s). The objective of the scheme is to provide personal loan through banks to the promoters of stressed MSMEs for infusion as equity / quasi equity in the business eligible for restructuring, as per RBI guidelines for restructuring of stressed MSME advances.

## 4. Date of commencement

The Scheme shall come into force from the date of notification by the Government of India or such other date as may be specified by the Trust.

## 5. Definitions

For the purposes of this Scheme –

- i. **“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 Member Lending Institution to the eligible borrowers.
- ii. **“Distressed Assets Fund”** means a fund of Rs 4000 crore created by Government of India for providing guarantee coverage to the loans given/ credit extended to the promoters of the eligible MSME units under the scheme.

iii. **“Amount in Default”** means the principal and interest amount outstanding in the account(s) of the borrower in respect of Sub-debt facility as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is lower for preferring any claim against the guarantee cover subject to a maximum of amount guaranteed.

iv. **“Credit facility”** means financial assistance provided under the scheme by way of sub-debt facility extended by the lending institution to the Promoters of the MSME units upto 15% of promoter's stake or Rs. 75 lakh whichever is lower. This personal loan shall not exceed the original debt of the beneficiary. Further, the Equity shall be calculated on the basis of the last available audited balance sheet of a Financial Year

v. **“Eligible borrower”** means the promoters of MSME units which are stressed, viz. SMA-2, and NPA accounts as on 30.04.2020 and can become commercially viable as per the assessment of the lending institutions. The Scheme is applicable for those MSMEs whose accounts have been standard as on 31.03.2018 and have been in regular operations, either as standard accounts, or as NPA accounts during financial year 2018-19 and financial year 2019-20. However, fraud accounts and willful defaulters will not be considered under the proposed scheme. In cases where recovery proceedings are underway and banks assess that with the facilities provided under the scheme the account would be viable, the banks shall withdraw the recovery proceedings before going ahead with restructuring etc.

vi. **‘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. For this scheme, 90% guarantee coverage would come from scheme/ Trust and remaining 10% from the concerned promoter(s). The credit will be extended by MLIs as part of the scheme to the promoters of the stressed MSMEs to be infused by them in the form of equity/ Quasi equity/ Sub debt in the MSME which are commercially viable. The guarantee cover would be uncapped, unconditional and irrevocable credit guarantee.

vii. **“Lending institution(s)”** or “Member Lending institution(s) (MLIs)” means all Scheduled Commercial Bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934, or any other institution(s) as may be directed by the Govt. of India from time to time.

viii. **“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.

ix. **“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 projected business for which the credit facility has been / was been extended.



x. **“Interest Rate”** for a lending institution means the rate so declared by that lending institution from time to time as per Reserve Bank of India guidelines based on which interest rate applicable for the loan will be determined.

xi. **“Tenure of Guarantee Cover”** means the maximum period of guarantee cover from the guarantee avilment date by the lending institution, which shall run through the agreed tenure of the Sub-debt facility between borrower and lending institution basis the assessment of debt serviceability or for a maximum period of 10 years whichever is earlier.

xii. **“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.

xiii. **“Scheme”** means the ‘Distressed Asset Fund - Subordinated Debt for Stressed MSMEs scheme.

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

xv. **“Micro, Small and Medium Enterprises”** as MSMEs as defined in the MSMED Act, as amended from time to time.

xvi. **Existing stake** means the total contribution of the Promoter in the form of equity as well as debt. The detailed operational guidelines on the matter will be shared with MLIs of the scheme.

xvii. **“Senior Debt”** means main debt already availed by the MSME that takes priority over other debt / unsecured debt owed by the issuer. The seniority status of any debt raised subsequent to implementation of the scheme will be governed by the guidelines issued by Reserve Bank of India from time to time.

xviii. **“Subordinate Debt”** means credit facility extended to the Promoter(s) of the Stressed Units for infusion in the units as Equity including Quasi Equity/Sub-Debt.

xix. **“Stressed MSME Unit”** means MSME Units which are stressed, viz. SMA-2 and NPA accounts as on 30.04.2020 as per the guidelines issued by the Reserve Bank of India from time to time.

## SCOPE AND EXTENT OF THE SCHEME

### 6. Eligible MLIs

- MLIs / Lending institutions for this purpose shall include all Scheduled Commercial Banks (SCBs).

### 7. Duration

- The Scheme would be applicable to all credit facilities sanctioned under CGSSD for a maximum period of 10 years from the guarantee avilment date or March 31, 2021 whichever is earlier, or till an amount of Rs 20,000 crore of guarantee amount is approved.

### 8. Eligible Borrowers

- The Scheme is applicable for those MSMEs whose accounts have been standard as on 31.03.2018 and have been in regular operations, either as standard accounts, or as NPA accounts during financial year 2018-19 and financial year 2019-20.
- Fraud/ Willful defaulter accounts will not be considered under the proposed scheme.
- Personal loan will be provided to the promoters of the MSME units. The MSME itself may be Proprietorship, Partnership, Private Limited Company or registered company etc.
- The Scheme is valid for MSME units which are stressed, viz. SMA-2 and NPA accounts as on 30.04.2020 who are eligible for restructuring as per RBI guidelines on the books of the Lending institutions.

### Loan Amount eligible under the Guarantee Coverage

- The guarantee coverage will be provided to the eligible borrower for the credit facilities extended under this scheme. Under this arrangement, promoter(s) of the MSME unit will be given credit equal to 15 % of his/her stake (equity plus debt) or Rs 75 lakh whichever is lower.
- The financial assistance provided as part of the scheme is to be operated as a separate loan account and the promoter need to infuse the sub-debt / loan amount as promoter's contribution in the form of equity (including sub-debt or quasi equity) into MSME entity.
- Any guarantee approved under this scheme shall be over and above the existing loan / guarantee sanctioned by the trust (over and above the eligible limit of Rs.200 lakh).
- In case a borrower has existing limits with more than one lender, the CGSSD can be availed by the borrower through one lender only. A declaration from the borrower regarding its other banking arrangements and that it has not availed funding under the scheme from the other lenders to be obtained by the lending MLI.
- MLIs shall carry out their own due diligence to assess the viability, need and requirement of sub-debt facility in respect of restructuring of stressed MSME units.
- Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.
- MLI should ensure that the sub-debt /credit released to the promoter is brought back as equity/quasi equity/sub-debt in the MSME unit.

## 10. Interest Rate of Credit under the scheme

Interest Rate on CGSSD shall be capped as under:

i. As per RBI guidelines dated September 04, 2019 and February 26, 2020, all loans to MSMEs must be benchmarked to one of the external benchmark rates. Banks are free to decide the spread over the external benchmark as per their approved policies. Accordingly, loans under the scheme must adhere to the above-mentioned guidelines and linked to the external benchmark rates.

## 11. Tenor of Credit under the scheme

i. The tenor of sub-debt facility provided under CGSSD shall be as per the repayment schedule defined by the lender, subject to a maximum tenor of 10 years from the guarantee availment date or March 31, 2021 whichever is earlier.

ii. The maximum tenor for repayment will be 10 years. There will be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid.

iii. While the interest on the sub-debt under the scheme would be required to be serviced regularly (monthly), the principal shall be repaid within a maximum of 3 years after completion of moratorium.

iv. Pre-payment of loan is permitted at no additional charge /penalty to the borrower.

## 12. Security

i. The sub-debt facility so sanctioned by MLIs will have 2nd charge of the assets financed under existing facilities for the entire tenor of the sub-debt facility.

## 13. Guarantee Fee

i. 1.50% per annum on the guaranteed amount on outstanding basis.

ii. Guarantee fee may be borne by the borrowers as per the arrangements between the borrower and the MLIs.

iii. The amount equivalent to the guarantee fee payable by the eligible lending institution may be recovered by it, at its discretion from the eligible borrower.

iv. The guarantee service fee once paid by the lending institution to the Trust is non-refundable. Guarantee service fee shall not be refunded, except under certain circumstances like -

a. Excess remittance;

b. Remittance made more than once against the same portfolio.

## 14. Extent of the Guarantee Coverage

i. 90% guarantee coverage would come from scheme/ Trust and remaining 10% from concerned promoter(s) on the credit extended by MLIs under the scheme. The guarantee cover would be uncapped, unconditional and irrevocable credit guarantee.



### **15. Corpus Requirement**

- i. Ministry of MSME will provide the required corpus of INR 4000 crore for operationalization of the scheme to CGTMSE in phased manner.
- ii. Any unutilized corpus amount left after meeting all the obligations under the Scheme shall be returned to the Ministry.

### **16. Invocation of guarantee**

- i. The Member Lending Institutions (MLIs) are required to inform the date on which the account was classified as NPA within 90 days of the account being classified as NPA.
- ii. The Member Lending Institutions (MLIs) are required to mark a particular case as NPA which is classified as NPA as per RBI guidelines in CGTMSE online portal. The NPA marking needs to be done by the MLIs within next quarter from the time it becomes NPA in the online portal.
- iii. The Trust shall pay 75 per cent 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. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred whichever is earlier.

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

- i. Post invocation of the guarantee claim, if any recoveries are made, MLIs shall first adjust such recoveries towards the legal costs incurred by them for recovery of the amount and their outstanding amount. Any amount recovered beyond that then shall be provided to trust up to the extent of amount of claim settled by the trust.

### **18. Agreement to be executed by the lending institution**

- i. MLIs will have to enter an agreement with CGTMSE to avail the benefits under the scheme. Agreement is to be signed by the competent authority as deemed fit by the MLI. There is no requirement of Board Approval Note for registration purpose under this scheme.

### **19. Responsibilities of lending institution under the scheme:**

- i. Once the lending institution sanctions the Sub-debt facility, the lending institution is required to apply to the trust for guarantee coverage for the facility sanctioned. Only after the trust approval, the sub-debt scheme will be under the special window of the trust for the said scheme.
- ii. The lending institution shall evaluate credit applications by using prudent banking judgement 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.
- iii. The lending institution shall closely monitor the borrower account. The lending institution shall put in all required efforts to ensure that the account is serviced regularly

- iv. The lending institution shall safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition.
- v. The lending institution to ensure that the credit facility sanctioned under the scheme is not to be wholly or partly utilized for adjustment of any previously outstanding debts, over dues to the lending institution including those deemed debts bad or doubtful of recovery.
- vi. 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. In the event of default, the lending institution shall exercise its rights, if any, to take over the assets of the borrower and the amount realized, if any, from the sale of such assets would be first used to settle senior debt. Any subsequent amount left post settlement of senior debt would be appropriated between trust and Lending Institution in the ratio of extent of guarantee coverage.
- vii. 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

- viii. 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.
- ix. 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.
- x. 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.

## 20. 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.

i. 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.

ii. The Trust shall, insofar 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 information which are in his possession.

## 21. Modifications and exemptions

i. The Trust reserves to itself the right to modify, cancel or replace the said 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 Scheme are complied with by the lending institution prior to the date on which the cancellation comes into force.

## 22. 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 or necessary changes as required from time to time given in connection therewith, the decision of the Trust / CEO of the Trust, taken in consultation with the Ministry of MSME, shall be final.

## 23. 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.

## **FREQUENTLY ASKED QUESTIONS (FAQs) - DISTRESSED ASSET FUND - SUBORDINATED DEBT FOR STRESSED MSMEs (DAF-SDSM) / CREDIT GUARANTEE SCHEME FOR SUBORDINATE DEBT (CGSSD)**

### **1. What is Distressed Asset Fund - Subordinated Debt for Stressed MSMEs?**

The “Distressed Asset Fund - Subordinated Debt for Stressed MSMEs” is a scheme framed by Ministry of MSME under which credit facility would be provided to the Promoters of the stressed MSMEs by Scheduled Commercial Banks (SCBs) for infusing the same as equity/ quasi equity/ sub-debt in the unit.

### **2. What is the Credit Guarantee Scheme for Subordinate Debt (CGSSD)?**

Credit Guarantee Scheme for Subordinate Debt (CGSSD) (hereinafter referred to as “Scheme”) being operated by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provides guarantee coverage to Member Lending Institutions (MLIs) for the credit facility extended to the eligible MSMEs under the above mentioned scheme.

### **3. What is the objective of the Scheme (CGSSD)?**

The objective of the scheme is to provide credit facility through lending institutions to the promoters of stressed MSMEs viz. SMA-2 and NPA accounts who are eligible for

restructuring as per RBI guidelines on the books of the Lending institutions. The promoter would infuse the credit in the MSME as quasi equity or sub-debt.

### **4. How do we define MSME?**

Micro, Small and Medium Enterprises defined under the MSME Act from time to time.

### **5. Which are the MSME's constitution included under the Scheme?**

MSME units such as Individuals / Proprietorship, LLP, Partnership, Private Limited Company or registered company are eligible to be covered under the scheme.

### **6. Who are the eligible Member Lending Institutions (MLIs) under the Scheme?**

All Scheduled Commercial Banks are eligible as MLIs.

### **7. What is the maximum sub-debt amount eligible under the Scheme?**

Under the Scheme, Promoter(s) of the MSME unit will be given credit facility equal to 15 % of his/her stake in the MSME entity (equity plus debt) or Rs 75 lakh whichever is lower as per last audited Balance Sheet.

**Illustration 1 :** If promoters have invested Rs.100 lakh as equity/ debt in a company, then 15% of Rs.100 lakh, i.e. Rs.15 lakh is eligible amount under sub- debt.

**Illustration 2 :** If promoters have invested Rs.700 lakh as equity/ debt in a company, then 15% of Rs.700 lakh is Rs.105 lakh. However, eligible amount under sub-debt would be Rs.75 lakh.

## 8. Can you please give some scenarios for computation of sub-debt amount eligible under the Scheme?

Computation methodology :

(Rs. Lakh)

Details	Scenario 1	Scenario 2	Scenario 3
Promoter's investment as equity in the MSME unit (A)	200.00	400.00	500.00
Promoter's investment as debt/loan in the MSME unit (B)	50.00	100.00	100.00
Total Stake by the Promoters in the MSME unit (C) = (A) + (B)	250.00	500.00	600.00
15% of Promoter's stake in MSME unit 15% of (C)	37.50	75.00	90.00
Sub-debt eligible limit (15% or Rs.75 lakh, whichever is lower)	37.50	75.00	75.00

## 9. What is the guarantee coverage for the sub-debt under CGSSD?

The guarantee coverage of the sub-debt shall be 90%.

## 10. Whether any margin money is required to be brought in by the promoters for availing the sub-debt facility?

Yes. The promoters are required to bring in 10% of the sub-debt amount as collateral. **9. What is the guarantee coverage for the sub-debt under CGSSD?**

The guarantee coverage of the sub-debt shall be 90%.

## 10. Whether any margin money is required to be brought in by the promoters for availing the sub-debt facility?

Yes. The promoters are required to bring in 10% of the sub-debt amount as collateral.

## 11. What is the duration of the Scheme?

The Scheme would be applicable to sub-debt sanctioned under CGSSD for a maximum period of 10 years from the guarantee availment date or March 31, 2021 whichever is earlier, or till an amount of Rs 20,000 crore of guarantee amount is approved.

## 12. What will be the eligibility criteria for MSMEs to avail the benefit of the Scheme?

All MSME borrower / entities who are stressed viz. SMA2 and NPA accounts and are **eligible for restructuring (as per RBI guidelines)** and are commercially viable as per the assessment of the lending institutions.

## 13. Any cut-off date / eligibility is prescribed for MSMEs for availing the benefit under the Scheme?

MSMEs whose accounts have been standard as on 31.03.2018 and have been in regular operations, either as standard accounts, or as NPA accounts during financial year 2018-19 and financial year 2019-20 are eligible under the Scheme. The Scheme is valid for MSME units which are stressed viz. SMA2 and NPA accounts as on 30-04-2020.

## 14. Whether the MSME account where the legal / recovery proceedings are underway are eligible under the Scheme?

Yes. In cases where recovery proceedings are underway, such as through SARFAESI Sec. 13(2), 13(4), DRT, suit filed, restructuring, MLIs may carry out on the basis of viability of the MSMEs as per RBI's restructuring guidelines.

**15. Whether Fraud / Willful default account are eligible under the scheme ?**

Accounts declared as Fraud/ Willful defaulter will not be considered under the scheme.

**16. On what basis restructuring is carried out?**

Banks are required to carry out restructuring of MSME accounts as per extant RBI guidelines.

**17. What would be the procedure followed in case a borrower has loan accounts with multiple lenders?**

In case a borrower has existing limits with more than one lender, the CGSSD can be availed by the borrower through one lender only. A declaration from the borrower regarding its other banking arrangements and that it has not availed funding under the scheme from the other lenders to be obtained by the lending MLI.

**18. To avail sub-debt under DAF-SDSM, will it be necessary for existing loans of the borrower to be covered under existing guarantee schemes such as CGFMU or CGTMSE?**

No.

**19. Will the interest rate on DAF-SDSM be capped?**

Yes. The interest rate applicable would be as per extant RBI guidelines.

**20. What would be the tenor of loans provided under DAF-SDSM?**

The tenor of sub-debt facility provided under DAF-SDSM shall be as per the repayment schedule defined by the lender, subject to a maximum tenor of 10 years.

**21. What would be the tenor of loans provided under CGSSD?**

Maximum tenor would be from the guarantee avilment date or March 31, 2021, whichever is earlier.

**22. Is there any moratorium period prescribed under DAF-SDSM?**

Yes. There can be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid. While the interest on the credit facility provided under the scheme would be required to be serviced regularly (monthly), the principal shall be repaid within a maximum of 3 years after completion of moratorium.

**23. Whether prepayment of sub-debt facilities is allowed?**

Pre-payment of loan/credit facilities is allowed at no additional charge to the borrower.

**24. Will any guarantee fee be charged under the Scheme by CGTMSE?**

Yes. 1.50% per annum on the guaranteed amount on outstanding basis.



**25. Whether service fee or any other fee would be charged in addition to the guarantee fee ?**

No. There is no service fee or any other charge.

**26. What will be the risk weight assigned to the credit extended under the scheme?**

CGTMSE guaranteed portion to be assigned zero risk weight, as per extant guidelines.

**27. What will be the security on credit facility extended under the Scheme?**

The credit extended under the scheme will rank second charge on all the existing assets.

**28. Will MLIs be required furnish any undertaking with CGTMSE for the purpose of this Scheme?**

Yes, MLIs will be required to submit an Undertaking to CGTMSE for the purpose of this Scheme as per the prescribed formal.

**29. Are Member Lending Institutions (MLIs) required to notify if the account has turned NPA, in CGTMSE Portal?**

Yes, the MLIs are required to mark a particular case as NPA which is classified as NPA as per RBI guidelines in CGTMSE online portal. The NPA marking needs to be done by the MLIs within next quarter from the NPA date, in the online portal.

**30. Whether Guarantee Fee is payable for NPA or claim lodged cases?**

Yes, Guarantee Fee is payable for NPA cases / claim lodged cases, till the settlement of first claim.

**31. What is the process to be carried out before lodgement of claim ?**

Before lodgement of claim application with CGTMSE, the MLI needs to initiate legal action post NPA or default.

**32. When can the Lending Institution invoke the guarantee?**

For MLI to lodge a claim, the guarantee in respect of that credit facility should have been in force at the time of account turning NPA and after completion of lock-in period of 18 months (from the guarantee start date or last disbursement date whichever is later). MLI can invoke the guarantee for first instalment of claim (75%) only after initiation of legal action under various legal forums such as, SARFAESI (u/s 13 (4)), Revenue Recovery Authority (RRA), Civil Court, Debt Recovery Tribunal (DRT) or Lok Adalat.

**33. How will the guaranteed amount be paid by CGTMSE to the MLIs on invocation of the guarantee?**

After satisfying itself about the procedural aspects met by the lender, regarding lodgement / preferment of claim for guarantee, the Trust settle the claim in two instalments i.e. 75% of the eligible amount (i.e. 90% of amount in default) as First instalment and 25% of the eligible amount (i.e. 90% of amount in default) as Second instalment.

**Illustration :****(in Rs.)**

Sub-debt given to promoter by the Bank (Guarantee Amount)	75,00,000	50,00,000	10,00,000
Outstanding as the time of NPA (Guaranteed amount minus repayment)	50,00,000	30,00,000	10,00,000
CGTMSE coverage	90%	90%	90%
Eligible Claim Amount (90% of O/s)	45,00,000	27,00,000	9,00,000
1st claim paid by CGTMSE (75%)	33,75,000	20,25,000	6,75,000
2nd claim paid by CGTMSE (25%)	11,25,000	6,75,000	2,25,000

**Note :** Any recovery made by the lender after settlement of the claim has to be refunded back to CGTMSE as per the existing guidelines.

**34. Is the Lending institution required to remit the recovery of amount received from the borrower, after settlement of first installment of claim.?**

Yes. MLI needs to remit any recovery received, from the borrower, after the settlement of first instalment, to CGTMSE after deducting the legal expenses only.

**35. Can a lending institution go for one-time settlement (OTS) in respect of defaulted cases, which are covered under the Scheme?**

Yes. The lending institution is, however, required to keep the Trust informed. In order to avail claim, legal action must be initiated by the MLI even in the event of OTS.

**36. Will there be inspection of cases covered under CGSSD Scheme?**

Yes. Trust reserves the right to inspect cases covered under CGSSD Scheme at any given time.

**37. What are the documents required for inspection?**

During the inspection of cases, MLIs will be required provide 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) as maintained by the lending institutions or any such documents as requested by the TRUST.

**38. What would be the purpose of the inspection of these cases?**

The primary purpose of inspection of these case would be to check whether the Lending Institutions have followed the terms and conditions of the Scheme and that in case of NPA account where first claim has been settled by the Trust, any recovery received by the MLI has been appropriately passed on to the Trust.

**39. Who will issue detailed operational guidelines for CGSSD?**

CGTMSE will issue the detailed operational guidelines for the Scheme.

**40. I was running a business and my account turned into NPA due to certain reasons. However, my unit is not running now and it is closed. Am I eligible under the scheme?**

No. For availing this sub-debt, the unit must be in running condition and operational.

**41. Whether NBFCs are allowed under the sub-debt scheme?**

No. Presently, Scheduled Commercial Banks only are eligible.

**42. When will the guarantee cover commence for the eligible credit facility?**

The guarantee cover will commence from the date on which guarantee fee proceeds are credited to bank account of the Trust.

**43. How long the guarantee cover is available for credit facilities extended to a particular borrower?**

Guarantee will commence from guarantee start date and shall run through the agreed tenure of the facility subject to payment of guarantee fee on annual basis.

**44. What is the process of issue of Guarantees under the scheme?**

On sanction of sub-debt, the Banks login into CGTMSE Portal and apply for guarantee coverage. On receipt of application, Guarantee is approved by CGTMSE within 24 hours and on paying the Guarantee fee, the Guarantee becomes live. No documents are sought at the time of application lodgement of guarantee.

**45. What is meant by conclusion of recovery proceedings?**

The recovery proceedings would be stated as concluded after the decree has been enforced and recovery has been completed by the MLI and outstanding amount has been recovered by the MLI or decree to get time barred if no further recovery possible.

**46. Who can provide answers to any further queries?**

Please address your queries/suggestions to [\*\*querysubdebt@cgtmse.in\*\*](mailto:querysubdebt@cgtmse.in).