

Credit Guarantee Scheme for Subordinate Debt (CGSSD)

Credit Guarantee Scheme for Subordinate Debt (CGSSD) is a government launched scheme which aims to provide support to the promoters of MSMEs which are stressed, viz. SMA-2, and which have turned into Non-Performing Assets (NPAs) as of 30th April, 2020. The scheme will provide necessary support by providing a certain amount as equity for the MSME units to thrive.

Objective 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.

Validity of the Scheme

The Government has extended the credit guarantee scheme for subordinate debt worth Rs. 20,000 Crore for stressed MSMEs till March 31, 2023.

Eligible Borrowers

- a) 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.
- b) Fraud / Willful defaulter accounts will not be considered under the proposed scheme.
- c) 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.
- d) 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.

Nature of Assistance

The 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 as per last Audited Balance Sheet. 90% of the assistance will be provided by the trust or the scheme, and the remaining 10% by the promoter.

Interest Rate of Credit under the scheme

The applicable rate of interest under the scheme will be in line with existing facility enjoyed by the borrower. ROI for CGSSD will be Repo Linked Loan Rate (RLLR) Based.

Tenor of Credit under the scheme

- a) 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.
- b) 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.
- c) 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.
- d) Pre-payment of loan is permitted at no additional charge / penalty to the borrower.

Security

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

Guarantee Fee

- a) 1.50% per annum on the guaranteed amount on outstanding basis.
- a) Guarantee fee may be borne by the borrowers as per the arrangements between the borrower and the MLIs.
- c) 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.
- d) 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.

Extent of the Guarantee Coverage

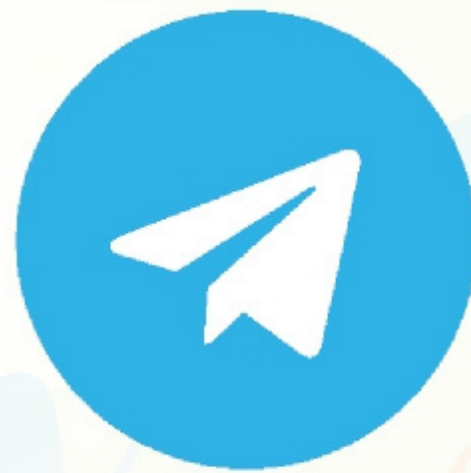
90% guarantee coverage would come from scheme/ Trust and remaining 10% from concerned promoter(s) on the credit extended by MLIs under the scheme. The guarantee cover would be uncapped, unconditional and irrevocable credit guarantee.

How to apply for CGSSD Scheme

Promoters who meet the eligibility criteria can approach any commercial bank and apply for this scheme by providing the necessary documents and enjoy its benefits.

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