CGTMSE Ref.No.6455 / 44 February 28, 2018

All Member Lending Institutions (MLIs) of CGTMSE

Circular No.139 / 2017-18

Dear Sir / Madam,

Charging of Annual Guarantee Fee (AGF) on Outstanding Amount

As you may be aware that currently, the ASF/ AGF is being charged on the guaranteed amount as per the details in the table given below:

Guarantees sanctioned upto 31/12/2012	Circular No. 45 / 2007- 08 dated March 03, 2008	Fixed Rates (GF and ASF)
Guarantee sanctioned on or after 01/01/2013	Circular No. 62/2012-13 dated October 10, 2012	Standard Rates (AGF)
Guarantees sanctioned after 01/04/2016	Circular 107 / 2015-16 dated January 28, 2016:	Standard Rates (AGF) + Risk Premium

Based on the feedback / suggestions received from MLIs/various other stakeholders, it has now been decided to modify the Annual Guarantee Fee (AGF) structure under Credit Guarantee Scheme. With a view to incentivize the borrowers with good repayment track record, AGF would now be charged on the outstanding loan amount instead of guaranteed amount for credit facilities sanctioned / renewed to MSEs on or after April 01, 2018 as detailed below:

Modified AGF Structure – Standard Rate (SR)

Credit Facility	**Annual Guarantee Fee (AGF) [% p.a.]***	
	Women, Micro Enterprises and Units covered in North East Region	**Others**
Up to ₹5 Lakhs	1.00 + Risk Premium as per extant guidelines of the Trust	
Above ₹5 Lakhs and up to ₹50 Lakhs	1.35 + Risk Premium as per extant guidelines of the Trust	1.50 + Risk Premium as per extant guidelines of the Trust
Above ₹50 Lakhs and up to ₹200 Lakhs	1.80 + Risk Premium as per extant guidelines of the Trust	
*AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility.		

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Guidelines for Modified AGF Structure	
Term Loans	AGF would be calculated on outstanding amount as on 31^{st} December against each guarantee account. MLI would be required to feed / upload requisite periodic data (i.e. total disbursements, cumulative principal repayments etc.) for arriving at the outstanding amount.
Working Capital	AGF would be calculated on maximum (peak) working capital limit availed by the borrower/enterprise in the previous calendar year. MLIs would feed / upload the maximum working capital outstanding availed by the borrower in the previous calendar year. In accounts where original sanctions are prior to April 01, 2018 and enhancement in the limits are on or after April 01, 2018, the earlier rate structure would continue to apply even for the enhanced portion.
Data Collection	MLIs would be required to feed the aforesaid data in the CGTMSE online portal by January 15^{th} every year. The requisite data would be fed into the CGTMSE online portal using following methods : Manual or XML upload. Portal Web services by using Data Pull Method. CGTMSE would be providing an Application Program Interface (API) for MLIs to integrate their Core Banking Software (CBS) with CGTMSE portal. Each MLI will have to enter into an agreement / MOU with CGTMSE for data transfer through API integration. MLIs to note that the CGTMSE window for aforesaid data entry / upload / collection would be closed after 15^{th} January and AGF would be finalized and Demand Advice (DAN) would be sent to MLIs for payment. In case the data is not fed / uploaded / updated by the MLIs within the stipulated time i.e. by 15th January, the AGF will be calculated on the Guarantee amount.
Payments	Demand for AGF would be generated by 2nd week of February every year. AGF so demanded would be paid by the MLIs on or before 15th April each year.
Revival	If the guaranteed account gets closed due to non-payment of AGF, on the request for revival of accounts, an additional risk premium of 15% will be charged on the Standard Rate in addition to the existing differential pricing structure and penal interest, if any.
Eligible limit	Eligible limit per borrower would continue to be on the guarantee approved amount and not on the outstanding amount.

All the other covenants of the current CGS would apply mutatis mutandis to such credit proposals with regard to eligibility criteria and other operational modalities, etc.

Additional risk premium of 15% will be charged on the applicable rate to MLIs who exceed the pay-out threshold limit of 2 times more than thrice in last 5 years. This premium will be applicable for all guarantee accounts irrespective of the sanction date.

Please feel free to contact us in case you need any further clarification. The contents of the circular may please be brought to the notice of your all offices.

Yours faithfully,
Sd/-
[Promod Bakshi]
Dy.General Manager