

Credit Guarantee Scheme For Subordinate Debt For MSMEs - 24 June 2020



Highlights of the scheme

- INR 20,000 crore subordinate debt for stressed MSMEs or MSMEs that are Non Performing Assets (NPAs).
- The Credit Guarantee Fund Trust For Micro and Small Enterprises (CGFTMSE) will provide a partial credit guarantee support to banks providing credit under the scheme.
- 90% of the guarantee coverage will come from CGFTMSE and the remaining 10% from the concerned promoter.



Eligibility

- 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.
- 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.



Duration

- The Scheme would be applicable to all credit facilities 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.
- There will be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid.
- Pre-payment of loan is permitted at no additional charge /penalty to the borrower.



Loan amount eligible under the guarantee coverage and security

- 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.
- This personal loan should 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.
- The financial assistance provided as part of the scheme is to be operated as a separate loan account and the promoter needs to infuse the sub-debt / loan amount as promoter's contribution in the form of equity (including sub-debt or quasi equity) into the MSME entity.
- 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.

Source: www.msme.gov.in