IFCI LIMITED

आई एफ सी आई लिमिटेड

(A Government of India Undertaking)

(भारत सरकार का उपक्रम)

Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC)

MARCH, 2015

AN INITIATIVE OF

MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

GOVERNMENT OF INDIA

(NODAL AGENCY - IFCI LTD.)

CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES

Sponsored by

Department of Social Justice and Empowerment, Ministry of Social Justice and Empowerment

(Nodal Agency : IFCI Limited)

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CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES (CEGSSC)

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SECTION - I
INTRODUCTION

1. Background:

The Finance Minister during the Union Budget speech (2014-15) on July 18, 2014, had announced that a sum of Rs.200 crore shall be allocated towards credit enhancement facility for young and start-up entrepreneurs, belonging to Scheduled Castes, who aspire to be part of neo middle class category with an objective to encourage entrepreneurship in the lower strata of the society resulting in job creation besides creating confidence in Schedule Castes.

The said allocation is under Social Sector Initiatives in order to encourage entrepreneurships among the Scheduled Castes, who belong to the lower strata of the society by supporting the Banks and Financial Institutions in the form of Credit Enhancement Guarantee, who shall be providing financial assistance to the Scheduled Caste (SC) Entrepreneurs.

2. Objective of the Scheme:

"Entrepreneurship" relates to entrepreneurs managing businesses which are oriented towards innovation and growth technologies. The spirit of the above mentioned fund is to support those entrepreneurs who will create wealth, value for the society, create jobs and in turn will develop confidence and at the same time promote profitable businesses.

The objectives of the Scheme are as below:

- It is a Social Sector Initiative to be implemented nationally in order to promote entrepreneurship among the Scheduled Caste population in India.
- Promote entrepreneurship amongst the Scheduled Castes who are oriented towards innovation and growth technologies.
- To support, by way of providing Credit Enhancement Guarantee to Banks and Financial Institutions, who will be providing financial assistance to the Scheduled Caste Entrepreneurs, who in turn will create wealth, value for the society, create jobs and ultimately will develop confidence and at the same time promote profitable businesses. The assets so created will also create forward/backward linkages. It will further create chain effect in the locality in specific and society in general.
- To promote financial inclusion for SC entrepreneurs and to motivate them for further growth of SC communities.
- To facilitate economic development of SC entrepreneurs.
- To enhance direct and indirect employment generation for SC population in India.

3. Estimated SC Entrepreneurs Population:

As per Census 2011, the SC population is 20.13 crore, which constitutes 16.63% of the total population in India. There is a huge potential in such a large economy like ours for such schemes out of which SC population can prosper and get opportunities to progress into the main stream.

Although, there is no reliable data on the profile of SC Entrepreneurs, but still, as per the rough estimates of various stakeholders such as Dalit Indian Chamber of Commerce and Industry (DICCI) etc. there are around 1000 Dalit entrepreneurs with combined turnover of Rupees Six thousand Crore. There are around 50 companies with turnover of Rs.10 Crore or more. Hence, the Credit Enhancement Guarantee Scheme has the potential not only to significantly uplift the businesses of the existing SC entrepreneurs but also the first generation SC entrepreneurs, who aspire to be part of neo middle class category.

SECTION - II

FEATURES OF CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES

Sl. No.	Particulars	Details
1.	**Name of Sponsoring Agency**	Department of Social Justice and Empowerment, Ministry of Social Justice and Empowerment.
2.	**Size of the Scheme**	Initial Capital allocation of Rs.200 crore. The capital allocation may be supplemented/enhanced by GoI every year with similar allocation amount or higher through annual budgetary allocation, depending upon the progress, response and effectiveness of the Scheme.
3.	**Nature of Scheme**	Central Sector Scheme.
4.	**Structure of the Scheme**	The Government of India shall set up a corpus of Rs.200 crore (hereinafter referred to as the ***'fund'***) to be placed with IFCI Ltd which shall be kept in a separate **No Lien Account (NLA)**. Credit Enhancement Guarantee (hereinafter referred to as ***"Guarantee"***) shall be extended, out of this **fund** and to the extent of the fund/available balance in the NLA less 100% earmarked amount for Guarantees already issued, to Member Lending Institutions (MLIs) for extending Term Loans or Composite Terms Loans to SC entrepreneurs engaged in Small and Medium Enterprises. The fund shall be the base to provide Guarantees to the MLIs who will be induced/ encouraged to finance scheduled caste entrepreneurs at reasonable rates, so that these enterprises become profitable ventures and be contributors to capital formation of the country, whereby these entrepreneurs can create wealth, value and employment for themselves as well as for the society. The process of setting up of the Scheme/Fund is placed at **Annexure II**.
5.	**Name of Asset Management Company/(AMC) Nodal Agency**	**IFCI Ltd** hereinafter referred to as **IFCI**.
6.	**Duration of the Fund**	In a block of 7 years from the date of implementation with provision to review and extend the scheme for further blocks of 7 years from each corpus set up date, depending upon the expected deliverables from and /success of the Scheme, which may be reviewed annually by Ministry of Social Justice & Enpowerment (MSJ&E) based on the MIS received from IFCI from time to time.
7.	**Closings under the Fund**	It will be an open ended scheme, on first cum first serve basis for Member Lending Institutions **(MLIs)**, till available corpus with IFCI parked in No Lien Account by GoI is exhausted.
8.	**Availability Period**	30 days from the date of first disbursement, subject to furnishing of sanction letter and proof of disbursement by the MLI, on first come first served basis.
9.	**Guarantee Period**	Initially 1 year, which can be renewed at the expiry of each year for the entire loan period with a maximum tenure of 7 years, subject to timely payment of renewal fee by MLIs in whose favour the Guarantee is extended.
10.	**Cost involved in the Scheme**	**Cost to GoI**: Upfront fee @1.50% flat (exclusive of applicable taxes) for initial set-up of each Corpus (the first such corpus announced being Rs.200 crore) and for putting the System and processes in place for implanting the Scheme and annual maintenance fees @ 0.50% p.a. (exclusive of applicable taxes) thereafter, towards annual maintenance of the scheme, payable at the end of each year during the currency of the Scheme. This annual payment shall be levied by IFCI on the aggregate Guarantee outstanding as on 31st March every year. The upfront fee of

		1.50% shall be debited to NLA as soon as the Scheme becomes operational and the annual maintenance fees will be recovered by **IFCI** by debiting the NLA on 01st April every year on an annualised basis. **Cost to MLIs**: Guarantee fee @1% per annum (exclusive of applicable taxes) on the loan amount for the First Year and then annual renewal fees @1% per annum (exclusive of applicable taxes) of the outstanding Guarantee commitment/obligation, towards renewal of the Guarantee to be paid by **MLIs** [hereinafter referred to as Member Lending institutions (MLIs)] at the beginning of each Financial Year, i.e. 01st April every year. In the event of non-payment of renewal fee by May 31 of that year or any other specified date, the guarantee under the scheme shall not be available to the lending institution/MLI unless IFCI agrees for continuance of guarantee and the lending institutions/MLI pays penal interest on the renewal fee due and unpaid, with effect from the subsequent June 01, at four per cent over IFCI Bench Mark Rate, per annum, or at such rates specified by IFCI from time to time, for the period of delay. The annual renewal fees shall be charged on the sanctioned amount in case of working capital facility and not on the utilized limit. ***Cost to GoI and MLI in case of Women Entrepreneurs: To encourage the women entrepreneurs under the scheme upfront fees for women entrepreneurs will be charged at a lower rate. IFCI shall charge 1.00% instead of 1.50% from GoI and 0.75% p.a. instead of 1.00% p.a. from MLIs for SC women entrepreneurs***.
11.	**Approximate number of projects to be Financed**	The Scheme has the potential to cover around 110 SC entrepreneurs within a period of 1 year from date of implementation of the Scheme out of the first utilization of Rs.200 Crore corpus set up by GoI in the No Lien Account with IFCI The assumptions for deployment of Rs.200 crore corpus disbursed by GoI are as below: • Financial assistance given by MLIs up to Rs.2 crore shall be guaranteed to the extent of 80% of the loan amount with a maximum guarantee amount of Rs.1.60 crore. Taking a simple average for Guarantee Cover at Rs.1.20 crore, loans extended by MLIs to 75 SC beneficiaries can be covered by utilization of Rs.90 crore of funds. • Financial assistance given by MLIs above Rs.2 crore but upto Rs.5 crore shall be guaranteed to the extent of 70% of the loan amount with a minimum guarantee amount of Rs.1.60 crore and maximum guarantee amount of 3.50 crore. Taking a simple average for Guarantee Cover at Rs.2.60 crore, loans extended by MLIs to 30 SC beneficiaries can be covered by utilization of Rs.78 crore of funds. • Financial assistance given by MLIs above Rs.5 crore shall be guaranteed to the extent of 60% of the loan amount with a minimum guarantee amount of Rs.3.50 crore and with a maximum guarantee amount of Rs.5.00 crore. Taking a simple average for Guarantee Cover at Rs.4.25 crore, loans extended by MLIs to at least 5 SC beneficiaries can be covered by utilization of Rs.28 crore of funds. The details of the financial assistance are given in Section III para 2 below.
12.	**Alterations**	The figure of potential number of SC beneficiaries proposed to be covered under the Scheme may undergo change & may vary depending on the actual ticket size/corpus size/or on any modifications to the Scheme suggested by **GoI**, quality and suitability/viability of cases and the responsiveness of MLIs to pursue the Scheme and implement the Scheme effectively.

Note: Implementing period and area of operation:

The scheme will be implemented during **2014-15** and thereafter on an ongoing basis, throughout the country.

SECTION - III

1. **Eligibility Criteria to be considered by MLIs:**

   - Small and Medium Enterprises, projects/units being set up, promoted and run by Scheduled castes in manufacturing and services sector ensuring asset creation out of the funds deployed in the unit, which are not covered under any State/Central Government Subsidy/Grant Scheme shall be considered;

   - Registered Companies and Societies having more than 75% shareholding by Scheduled Caste entrepreneurs/promoters/ members with management control for the past 12 months;

   - Registered Partnership Firms having more than 75% shareholding with Scheduled Caste Partners for the past 12 months; none of the partners should be below the age of 18 years.

   - Documentary proofs of being SC will have to be mandatorily submitted by the entrepreneurs/promoters/partners/society members at the time of submitting the proposals;

   - The Scheduled Caste promoter(s)/Partners/Society members shall not dilute their stake below 75% in the company /enterprise during the currency of the Loan.

   - To be eligible for Guarantee Cover under the Scheme, the banks/FIs shall submit to IFCI a copy of the valid sanction letters/LoI issued to Scheduled Caste beneficiary/enterprise/company/firm/society. The indicative Appraisal Format and Due Diligence Module are provided in the Scheme as **Annexure-III and Annexure-IV** respectively for facilitation. However, the MLIs who have already developed their own formats and modules are free to use their own appraisal formats/modules.

2. **Amount of Guarantee Cover:** The Amount of guarantee cover will be as mentioned below:

Category	**Parameters**	**(Rs. in crore)**		
	Loan Amount	**0.25 to 2.00**	**More than 2.00 upto 5.00#**	**More than 5.00#**
Registered Companies	**Amount of Guarantee Cover**	80% of the sanctioned facility	70% of the sanctioned facility	60% of the sanctioned facility
	Guarantee Obligation	80% of the amount in default subject to maximum of amount of guarantee cover	70% of the amount in default subject to maximum of amount of guarantee cover	60% of the amount in default subject to maximum of amount of guarantee cover
	Minimum Cover Available	**0.20**	1.60	3.50
	Maximum Cover Available	1.60	3.50	5.00
Registered Partnership Firms and Societies	**Amount of Guarantee Cover**	60% of the sanctioned facility		
	%age of Guarantee Cover of the Loan Amount	60% of the amount in default subject to maximum of amount of guarantee cover		
	Minimum Cover Available	**0.15**		
	Maximum Cover Available	5.00		

 # Incubation facility would be facilitated by MLI through the existing Schemes of various Departments, for loan amount more than Rs. 2.00 crore.

3. Scheme Details (Indicative): Details of the Credit Enhancement Guarantee Scheme are as follows:

Sl. No.	Particulars	Details
1.	**Corpus of Scheme**	Initially the Government of India will provide corpus of Rs.200 crore to IFCI to carry out the Scheme which will be maintained under "No Lien Account" by IFCI as per directions of Ministry of Social Justice & Empowerment, Government of India.
2.	**Eligibility**	The Small and Medium Enterprises promoted and run by Scheduled Caste entrepreneur, which are not covered under any other State/Central Government Subsidy/ Guarantee Schemes. Please refer Section-III para 2 above for further details.
3.	**Sector covered under Scheme**	The borrower engaged in Manufacturing/Trading/Service sector may be considered for financial assistance by MLIs.
4.	**Type of Borrower**	a) Registered Companies having more than 75% shareholdings with Scheduled Caste promoter(s) for the past 12 months having management control in the hands of SC entrepreneurs/promoters. b) Registered partnership Firms having more than 75% shareholdings with Scheduled Caste partner(s) for the past 12 months having management control in the hands of SC entrepreneurs partners. c) Society registered under Society Act, and carrying approved business as per the prevailing policy of Bank/FIs, having more than 75% shareholdings with Scheduled Caste member(s) at least for the past 12 months having management control in the hands of SC entrepreneurs/SC members. • The Scheduled Caste promoters of Companies would be given precedence vis-a-vis Registered Partnership firms and Registered Societies. • The Scheduled Caste Promoter(s)/ Partner(s)/members shall not dilute his/her/their shareholdings/ equity during the currency of the loan.
5.	**Amount of Guarantee Cover**	As per the details given in Section-III para 2 above with a maximum amount of Rs.5.00 crore.
6.	**Tenure of Guarantee**	Maximum 7 years or repayment period whichever is earlier. However, initially the loan shall be guaranteed for 1 year and renewed at yearly intervals subject to payment of annual renewal fee (details given in **Annexure-I**) and satisfactory loan conduct and satisfactory loan review certification by MLIs at the time of renewal.
7.	**Maximum Guarantee Coverage**	As mentioned in Section-III, para 2 above with a maximum amount of Rs.5.00 crore. The term 'Loan' shall cover Term Loan / Composite Term Loan granted to SC Enterprises by MLIs.
8.	**Guarantee Obligation**	Guarantee obligation shall be limited to the amount in default as mentioned in Section-III, para 2 "Amount in Default" means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan and amount of outstanding working capital facilities (including interest), as on the date of the account becoming NPA, or the date of lodgement of claim application whichever is lower, subject to maximum of the amount of guarantee cover.
9.	**Security for MLIs**	Asset created from Loan, and pledge of promoters' shareholdings in the assisted company/firm/ society.
10.	**Follow up and Monitoring of Loan Account**	The sourcing, sanction, documentation, monitoring, follow up and recovery of the loan shall be the sole responsibility of MLIs providing assistance to the SC enterprise. Under No circumstances, IFCI shall be responsible and involved, in any manner, whatsoever, in any of the processes, viz receipt of application, appraisal, sanction, disbursement, follow up, monitoring and recovery, etc. of the loan. Liabilities and responsibilities of MLIs are detailed in **Annexure-I**.
11.	**Terms of Guarantee:**	a) IFCI shall issue Guarantee to the MLIs on terms and conditions, as detailed in this Scheme document. b) The MLIs shall be required to enter into an agreement with IFCI for memberships. Thereafter, they shall register the loan application(s) as soon as they agree in principle to extend loan to the SC beneficiary (ies) and get a registration number in token of acknowledgment from IFCI to earmark funds against the guarantee to be extended by IFCI for the said loan(s) to them. Mere issuance of token shall not be construed as commitment on the part of IFCI. MLI shall furnish sanction letter, the proof of disbursement and guarantee fee within 30 days of first disbursement of loan. pursuant to which guarantee shall be issued. The covering letter conveying final sanction by MLIs to IFCI should invariably mention token number as reference. MLI needs to give a certificate in this regards that the sanction terms have been complied with to IFCI. c) In order to enforce expeditious implementation of the scheme and have a professional approach,

		IFCI shall retain absolute rights to cancel the Token and allocate the earmarked funds for other SC beneficiary (ies) under the scheme, in case intimation of final sanction from MLIs, accompanied by final sanction letter(s) and sanction terms, is/are not received at IFCI's Counter within 30 working days from the date of registration/ date of issuance of Token. d) Guarantee will be issued on first come first serve basis, till the available fund (the current corpus proposed being Rs. 200 crore) after debiting fee by IFCI is exhausted. As soon as the liability under the guarantee gets reduced/extinguished on account of partial or full repayment of loan or on cancellation of the Guarantee by IFCI, IFCI shall provide fresh guarantee(s) to the extent of liability so reduced/extinguished/cancelled to new beneficiary (ies), towards optimization of funds utilization so that as many SC beneficiaries as possible within the available corpus can be covered and benefited under the Scheme. e) The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the term credit in respect of term credit / composite credit subject to payment of annual renewal fee within the time frame defined in this Policy / Scheme document. f) The maximum aggregate amount of guarantees to be issued by IFCI will commensurate with actual available corpus at the hands of IFCI (after deduction of its applicable fee defined in this policy and including interest on the corpus amount) in the No Lien Account of IFCI.The amount may increase with every additions to the corpus (the current corpus size being Rs.200 crore) subsequent to future additional budgetary allocations, if any. ***g) Security documents must not be time barred at the time of lodgement of claim. Claim arising out of invocation of the guarantee shall not be entertained in case security documents have become time barred.*** ***h) The cases where mala fide is proved against any official of MLI in any of the loan processes, viz. the loan sanction, disbursal, maintenance, monitoring, rehabilitation and recovery of the asset covered under the scheme, the guarantee claim shall not be entertained.*** ***i) Incubation facility would be facilitated by MLI through the existing Schemes of various Departments, for loan amounting to more than Rs. 2.00 crore.*** j) The MLIs shall submit quarterly statement of Borrower wise loan disbursement and outstanding position including default (if any), within 45 days from the end of the quarter, to IFCI, in duplicate, as per format given in Annexure-V, a consolidated copy of which will be submitted by IFCI to MSJ&E for their perusal and records. k) The claim under the guarantee shall be admissible only after the MLIs classify the account as NPA and would have initiated legal recovery proceedings after exhausting all other recovery efforts. l) The amount paid to MLIs will be debited to No Lien account on receipt of duly discharged original guarantee issued by IFCI. m) Goes without saying that the MLIs shall continue to make full efforts for recovery of dues till sale/ disposal of the assets created out of the loans sanctioned by them. The amount so recovered by the MLIs, after payment of Guaranteed amount by IFCI, shall be shared by the MLIs and IFCI in the following manner: • Expenses incurred towards recovery of the loan after the guarantee settled date shall be appropriated by the MLIs first; and then • The remaining recovered amount shall be distributed to IFCI in the ratio of Guarantee Claim paid by IFCI to the loan outstanding, on the guarantee claim settlement date,in the books of MLIs (excluding Penal interest and liquidated damages). Any delay/shortfall in distribution of recovery amount and any consequent delay in remittance back to IFCI beyond 7 working days from the date of such recovery shall attract interest @ 300 basis points over IFCI's Benchmark Rate, with effect from the date of recovery and shall become payable by MLIs. Such defaults in distribution of recovery shall be reported to MSJ&E too for punitive measures.
12.	**Loan**	The guarantee shall be extended for availing Term Loan or Composite Term Loan facility granted by MLIs.
13.	**Guarantee Fee and obligation of IFCI on the Guarantee**	**a) Cost to GoI**: Onetime fee @1.50% flat (exclusive of applicable taxes) for initial set-up of the Corpus, System and processes for implanting the Scheme and issuing the Guarantee. This amount will be recovered upfront by IFCI, by debiting the No Lien account opened for parking the fund meant for this Scheme. Additionally, an annual maintenance fees@ 0.50% p.a. (exclusive of applicable taxes) shall be payable to IFCI as at 01st April every year on the aggregate Guarantee

		outstanding as on 31st March of every year during the entire tenor/currency of the Scheme. **b) Cost to MLIs**: Guarantee fee @1% per annum (exclusive of applicable taxes) on the sanctioned limit for the First Year and thereafter annual renewal fees @ 1% per annum (exclusive of applicable taxes) of the outstanding Guarantee commitment/obligation towards renewal of the guarantee, to be paid by MLIs on 1st April of each subsequent Financial Year, failing which IFCI shall be under no obligation to honour/extend the commitment under the Guarantee. The fees is exclusive of applicable taxes, if any. However, the first year guarantee premium shall be recovered at the time of issuance of the guarantee pro-rated in number of days remaining for the FY, in which the guarantee is issued. In case the renewal fee is not paid by the respective MLI timely, the Guarantee shall be deemed to be automatically cancelled. The annual renewal fees shall be charged on the original sanctioned limit in case of renewal of working capital facility instead of the utilized limit. c) The Guarantee obligation shall cease to exist as soon as the underlying loan is repaid or the Guarantee validity period has expired, whichever is earlier. d) Guarantee cover on 31st March shall mean a total of term loan limit outstanding, non fund based facilities limits and sanctioned limit of working capital loan as on that date. ***e) Cost to GoI and MLI in case of Women Entrepreneurs: To encourage the women entrepreneurs under the scheme upfront fees for women entrepreneurs will be charged at a lower rate. IFCI shall charge 1.00% instead of 1.50% from GoI and 0.75% p.a. instead of 1.00% p.a. from MLIs for SC women entrepreneurs.***
14.	**Guarantee Devolvement**	The letter of intimation of invocation/claim of the guarantee received from MLIs (along with sufficient grounds for invocation) by IFCI, shall be first sent to the Ministry of Social Justice and Empowerment (MSJ&F) by IFCI within 7 (Seven) working days from the date of receipt of invocation intimation at IFCI's counter, for their comments/objections (if any) to the payment of invoked guarantee. For objection(s) raised, if any, by MSJ&E, clarification will be sought from MLIs on objection(s) so raised and the verdict of MSJ&E, post receipt of clarification from MLIs to MSJ&E's objection(s) shall be final and binding on all parties. In case no response is received from MSJ&E within 15 working days from the date of receipt of invocation notice at IFCI's counter, it would be construed as deemed NOC from MSJ&E and claims shall be settled by IFCI without further waiting for response from MSJ&E within a maximum period of 30 days from the date of receipt of claim from MLI by IFCI.
15.	**Repeat Credit Enhancement**	In case of satisfactory track record and post liquidation of the First facility under the scheme, the benefits of Guarantee under the scheme may be extended to such SC Entrepreneurs/Enterprises for repeat finance, in order to incentivize and inculcate healthy credit culture amongst the ultimate beneficiaries.
16.	**Lock-in Period**	The guarantee cover will have a lock-in period of 12 months from the date of last disbursement. No claim made under the guarantee shall be entertained by IFCI if the account becomes NPA within the lock in period.

4. Deal Sourcing Strategy:

The objective of the Scheme is to provide Credit Enhancement Guarantee to MLIs for extending concessional/reasonable finance and easier access of finance to SC Entrepreneurs. It would be the complete prerogative of MLIs to identify and provide financial assistance/loans to suitable/eligible SC Entrepreneurs/beneficiaries.

IFCI will facilitate by way of wide publicity of the Scheme through any or all of the modes as mentioned below:

- Launch of the said Scheme shall be publicized through Print and Electronic Media for wide publicity and reception. It will be displayed in the IFCI's website. It will also be brought to the knowledge of the other institutions, Banks, IBA, District Magistrates, District and State Level Bankers' Co-ordination Committees, Lead Bank Officers, District Industries Centres etc.
- Approaching Dalit Indian Chamber of Commerce & Industry (DICCI) and its various chapters.
- Approaching institutions under Ministry of Social Justice and Empowerment such as National Scheduled Castes Finance and Development Corporation (NSFDC) and other State Finance Institutions for Scheduled Castes.
- The Technical Consultancy Organizations (TCOs) promoted by IFCI and other institutions, whose primary objective is to give Technical consultancy to new entrepreneurs, shall also be advised to publicize the Scheme amongst MLIs, wherever they have reach. They may also popularize the fund and help the entrepreneurs in making project appraisal on behalf of Banks and thus act as facilitators too.

5. Foreseeable constraints/uncertainties and likely impact:

Sl. No.	Constraints	Impact
1.	**Delay in registration/structuring of the fund**	Once the corpus is set up and systems are put in place by IFCI, MLIs should immediately start implementing the scheme. Any delay in identifying SC beneficiaries and registration will slow paddle the implementation of the Scheme. A strong message is solicited to go from Department of Social Justice & Empowerment to MLIs in this regard at the launch of the Scheme.
2.	**Delay or Luke warm in sourcing, sanction, disbursement by MLIs**	Same as above.
3.	**Responsiveness of implementing agencies to the Scheme**	A lot depend on responsiveness and proactiveness of implementing agencies (the originators being the MLIs) to the Scheme for the success of the scheme.
4.	**Non-payment of Guarantee Commission timely by MLIs**	Non-payment or delayed payment of Guarantee premium by MLIs within the time frame provided in the Scheme may result in discontinuation of the guarantee cover which may affect the interest of SC entrepreneurs. A strong message is solicited to go from Department of Social Justice & Empowerment to MLIs in this regard at the inception of the Scheme itself.
5.	**Enforcement of Security in case of defaulting companies**	In case of default, enforcing immovable securities or for that matter movable securities, belonging SC Entrepreneurs, could be a constraint.
6.	**Improper identification, appraisal in sanction process**	Improper identification of SC beneficiary and improper appraisal by MLIs may lead to defaults. Unless the Scheme is followed in letter and spirit, large scale defaults may lead to quick erosion of the corpus failing to serve the objectives of the Scheme.
7.	**Improper invocation of Guarantees by MLIs**	Invocations of Guarantees on filthy grounds without taking remedial measures or corrective action plans for genuine entrepreneurs to remedy the cause of stress, if any, by MLIs may pose challenge for success of the Scheme.

6. Other Conditions:

MIS on Funds Utilization and Management:

- A committee headed by not less than Executive Director of IFCI and having at least 4 members (inclusive of the Head of the Department, which will spear head the Scheme) shall be constituted to implement and monitor the scheme. At least one nominee of the level of Director to represent MSJ&E shall be preferred. Appropriate Delegation of Power structure for issuance and settlement of Guarantee claim shall be put in place by IFCI.
- Maintaining and keeping records of all deals Guaranteed.
- Performance of the Scheme and Response to the Scheme to be submitted to MSJ&E/any other department as directed by GoI.
- Necessary Audit procedures to be carried out for the Scheme annually.
- The estimated time period required for a Guarantee proposal to mature from application stage to sanction stage (i.e. final decisions of the Committee) would be approximately 3-4 months.

ANNEXURE - I

DETAILED CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES (CEGSSC)

INDEX

CHAPTER I

CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES (CEGSSC)

INTRODUCTION

IFCI, having decided to frame a Scheme for the purpose of providing guarantees to Scheduled Caste Entrepreneurs, hereby make the following Scheme:

1. Title and date of commencement:

(i) The Scheme shall be known as the Credit Enhancement Guarantee Scheme for Scheduled Castes **(CEGSSC)**.

(ii) It shall come into force during 2014-15.

(iii) It shall cover eligible credit facility extended by the lending institutions to eligible borrowers effective from the date of approval of scheme by Ministry of Social Justice and Empowerment.

2. Definitions:

For the purposes of this Scheme:

(i) "Amount in Default" means the principal and interest amount outstanding in the account(s) of the borrower in respect of term loan or Composite Term Loan (including interest), as on the date of the account becoming NPA, or the date of lodgement of claim application whichever is lower subject to a maximum of amount of guarantee cover.

(ii) "Collateral Security" means the security provided in addition to the primary security, in connection with the credit facility extended by a lending institution/MLI to a borrower.

(iii) "Credit facility" means any financial assistance by way of term loan or Composite Term Loan facilities extended by the lending institutions/MLI to the eligible borrower. For the purpose of calculation of guarantee fee, the "credit facility extended" shall mean the amount of financial assistance committed and disbursed by the lending institutions/MLIs to the borrower.

(iv) "Eligible borrower" means Scheduled Caste Entrepreneurs as covered under **Para 3 of Section-III** the main policy to which credit facility has been provided by the lending institutions/MLIs without any collateral security and/or third party guarantees/and or are not under any restricted category, defined in the eligibility criteria.

(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/MLI.

(vi) "Lending institution(s)"/"MLI(s)" means a commercial bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934 and Regional Rural Banks as may be specified by IFCI from time to time, or any other institution (s) as may be directed by the Govt. of India from time to time. IFCI may, on review of performance, remove any of the lending institution/MLI from the list of eligible institution.

(vii) "Material date" means the date on which the guarantee fee on the amount covered in respect of eligible borrower becomes payable by the eligible institution/MLI to IFCI.

(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 project or business for which the credit facility has been extended.

(x) "Base Rate" for a lending institutions/MLI means the rate so declared by that lending institutionsMLI for the relevant time period/ duration for which the credit facility has been extended.

(xi) "Scheme" means the Credit Enhancement Guarantee Scheme for SCs.

(xii) "Tenure of guarantee cover" means the maximum period of guarantee cover **from Guarantee start** date which shall run through the agreed tenure of the term Loan or Composite Term Loan or loan **termination date**, whichever is earlier, subject to a maximum period of 7 years.

(xiii) "Fund" means the Credit Enhancement Guarantee Fund set up by Government of India with IFCI and parked in NLA with the purpose of guaranteeing credit facility (ies), extended by the lending institution(s)/MLI(s) to the eligible Scheduled Caste borrowers.

(xiv) "Composite Loan" means the Combination of term loan, Working Capital Facility and Non fund based facility. Working Capital loan non fund based facilities can only be availed alongwith with the term loan facility and not independently.

CHAPTER II

SCOPE AND EXTENT OF THE SCHEME

3. Guarantees by IFCI:

(i) Subject to the other provisions of the Scheme, IFCI undertakes, in relation to credit facilities extended to an eligible borrower from time to time by an eligible institution/MLI which has entered into the **necessary agreement** for this purpose with IFCI, to provide a guarantee on account of the said credit facilities.

(ii) IFCI reserves the discretion to accept or reject any proposal referred by the lending institution/MLI which otherwise satisfies the norms of the Scheme.

4. Credit facilities eligible for cover under the Scheme:

The Scheme shall cover credit facilities extended by Member Lending Institution(s)/MLI(s) to a single eligible borrower as defined under **para 1 of Section-III** of the operational guidelines by way of term loan or Composite Term Loan facilities on or after entering into an agreement with IFCI, without any collateral security and/or third party guarantees and or are not under any restricted category, defined in the eligibility criteria, **para 1 of Section-III** the operational guidelines or such amount as may be decided by IFCI from time to time. Provided further that, as on the material date:

(i) The dues to the lending institutions/MLI have not become NPA and/or bad or doubtful of recovery; and/or

(ii) The business or activity of the borrower for which the credit facility was granted has not ceased; and/or

(iii) The credit facility has not wholly or partly been utilised for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from IFCI.

Credit facilities extended by more than one Bank and/or Financial Institution jointly and/or separately to eligible borrower and upto per borrower maximum ceiling, as defined in the operational guidelines (**para 2 of Section-III**).

5. Credit facilities not eligible under the Scheme:

The following credit facilities shall not be eligible for being guaranteed under the Scheme:

(i) Any credit facility in respect of which risks are additionally covered under a scheme operated / administered by Deposit Insurance and Credit Guarantee Corporation or the Reserve Bank of India or SIDBI, to the extent they are so covered.

(ii) Any credit facility in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.

(iii) Any credit facility, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which may, for the time being, be in force.

(iv) Any credit facility granted to any borrower, who has availed himself of any other credit facility covered under this scheme or under the schemes mentioned in clause (i), (ii) and (iii) above, and where the lending institution/MLI has invoked the guarantee under the schemes mentioned in clause (i), (ii) and (iii) above, but has not repaid any portion of the amount due under the schemes mentioned in clause (i), (ii) and (iii) above, as the case may be, by reason of any default on the part of the borrower in respect of that credit facility.

(v) Any credit facility which has been sanctioned by the lending institution/MLI against collateral security and / or third party guarantee.

(vi) Any credit facility which has been sanctioned by the lending institution/MLI with interest rate more than 3% over the Base rate of the lending institution/MLI.

(vii) Credit facilities which are not fully disbursed by the MLI. In case the loan is not fully disbursed, the MLI should submit sufficient and convincing reasons to IFCI for not disbursing the full sanctioned limit in order to be eligible cover. IFCI's decision to entertain the claim shall be final and binding on the MLI.

6. Agreement to be executed by the lending institution/MLI:

A lending institution/MLI shall not be entitled to a guarantee in respect of any eligible credit facility granted by it unless it has entered into an agreement with IFCI in such form as may be required by IFCI for covering by way of guarantee, under the Scheme all the eligible credit facilities granted by the lending institution/MLI, for which provision has been made in the Scheme.

7. Responsibilities of lending institution/MLI under the scheme:

(i) The lending institution/MLI shall evaluate credit applications by using prudent banking judgment 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.

(ii) The lending institution/MLI shall closely monitor the borrower account.

(iii) The lending institution/MLI shall safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition.

(iv) The lending institution/MLI shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with IFCI in the form and in the manner and within such time as may be specified by IFCI 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 IFCI facing higher guarantee claims.

(v) The payment of guarantee claim by IFCI to the lending institution/MLI does not in any way take away the responsibility of the lending institution/MLI to recover the entire outstanding amount of the credit from the borrower. The lending institution/MLI 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 IFCI.

(vi) The lending institution/MLI shall comply with such directions as may be issued by IFCI, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as IFCI may deem fit and the lending institution/MLI shall be bound to comply with such directions.

(vii) The lending institution/MLI shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of IFCI in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by IFCI. The lending institution/MLI 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 IFCI as the guarantor. In particular, the lending institution/MLI should intimate IFCI while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s) or security. The lending institution/MLI 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 IFCI. Further the lending institution/MLI shall secure for IFCI 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 IFCI.

(viii) Incubation facility would be facilitated by MLI through the existing Schemes of various Departments, for loan amounting to more than Rs.2.00 Crore.

(ix) The cases where mala fide is proved against any official of MLI in any of the loan processes, viz. the loan sanction, disbursal, maintenance, monitoring, rehabilitation and recovery of the asset covered under the scheme, the guarantee claim shall not be entertained.

CHAPTER III
GUARANTEE FEE

8. Guarantee Fee, Annual Maintenance fee and Annual Renewal Fee to IFCI:

Fee Payable to IFCI by GoI: Upfront fee @1.50% flat (exclusive of applicable taxes) for initial set-up of each Corpus (the first such corpus announced being Rs.200 crore) and for putting System and processes in place for implanting the Scheme and annual maintenance fees @ 0.50% p.a. (exclusive of applicable taxes) thereafter, towards annual maintenance of the scheme, payable at the end of each year during the currency of the Scheme. This annual payment shall be levied by IFCI on the aggregate Guarantee outstanding as on 31st March every year. The upfront fee of 1.50% shall be debited to NLA as soon as the Scheme becomes operational and the annual maintenance fees will be recovered by **IFCI** by debiting the NLA on 01st April every year on an annualised basis.

Fee Payable to IFCI from MLIs: Guarantee fee @1% per annum (exclusive of applicable taxes) on the loan amount (comprising Term Loan or Composite Term Loan) for the First Year and thereafter annual renewal fees @1% per annum (exclusive of applicable taxes) of the outstanding Guarantee commitment/obligation, towards renewal of the Guarantee, to be paid by MLIs [hereinafter referred to as Member Lending institutions **(MLIs)**] at the beginning of each Financial Year, i.e. 01st April every year. In the event of non-payment of annual renewal fee by May 31 of that year or any other specified date, the guarantee under the scheme shall not be available to the lending institution/MLI unless IFCI agrees for continuance of guarantee and the lending institutions/MLI pays penal interest on the renewal fee due and unpaid, with effect from the subsequent June 01, at four per cent over IFCI Bench Mark Rate, per annum, or at such rates specified by IFCI from time to time, for the period of delay. The annual renewal fees shall be charged on the sanctioned amount in case of renewal of working capital facility instead of on the utilized limit.

- Provided further that in the event of non-payment of annual renewal fee within the stipulated time or such extended time that may be agreed to by IFCI on such terms, liability of IFCI to guarantee such credit facility would lapse in respect of those credit facility against which the renewal fees is due and not paid.

- Provided further that, IFCI may consider renewal of guarantee cover for such of the credit facility upon such terms and conditions as IFCI may decide.

- In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee/annual renewal fee, such deficiency/shortfall shall be paid by the eligible lending institutions/MLI to IFCI together with interest on such amount at a rate of four per cent over and above the IFCI Bench Mark Rate, or as may be prescribed by IFCI from time to time. Any amount found to have been paid in excess would be refunded by IFCI. In the event of any representation made by the lending institutions/MLI in this regard, IFCI shall take a decision based on the available information with it and the clarifications received from the lending institution, and its decision shall be final and binding on the lending institution/MLI.

- The amount equivalent to the guarantee fee and / or the renewal fee payable by the eligible lending institutions/MLI may be recovered by it, at its discretion from the eligible borrower.

- The guarantee fee and/or annual renewal fee once paid by the lending institutions/MLI to IFCI is non-refundable. Guarantee fee/Annual Renewal Fee, shall not be refunded, except under certain circumstances like:

  (i) Excess remittance,

  (ii) Remittance made more than once against the same credit application,

  (iii) Guarantee fee &/or annual renewal fee not due,

  (iv) Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.

- ***Cost to GoI and MLI in case of Women Entrepreneurs: To encourage the women entrepreneurs under the scheme upfront fees for women entrepreneurs will be charged at a lower rate. IFCI shall charge 1.00% instead of 1.50% from GoI and 0.75% p.a. instead of 1.00% p.a. from MLIs for SC women entrepreneurs.***

CHAPTER IV
GUARANTEES

9. Extent of the Guarantee

IFCI shall provide guarantee as under:

Category	Parameters	(Rs. in crore)		
	Loan Amount	**0.25 to 2.00**	**More than 2.00 upto 5.00#**	**More than 5.00#**
Registered Companies	**Amount of Guarantee Cover**	80% of the sanctioned facility	70% of the sanctioned facility	60% of the sanctioned facility
	Guarantee Obligation	80% of the amount in default subject to maximum of amount of guarantee cover	70% of the amount in default subject to maximum of amount of guarantee cover	60% of the amount in default subject to maximum of amount of guarantee cover
	Minimum Cover Available	**0.20**	1.60	3.50
	Maximum Cover Available	1.60	3.50	5.00
Registered Partnership Firms and Societies	**Amount of Guarantee Cover**	60% of the sanctioned facility		
	%age of Guarantee Cover of the Loan Amount	60% of the amount in default subject to maximum of amount of guarantee cover		
	Minimum Cover Available	**0.15**		
	Maximum Cover Available	5.00		

 # Incubation facility would be facilitated by MLI through the existing Schemes of various Departments, for loan amount more than Rs.2.00 crore.

For further details, please refer main Policy **Para 3 of Section-III** and tables contained therein.

All proposals for sanction of guarantee will have to be rated internally by the MLI and should be of investment grade. Proposals approved by the MLIs post set up of the corpus by GoI with IFCI will be eligible for Guarantee Cover under the scheme.

The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the term credit in respect of term credit / composite credit subject to payment of annual renewal fee within the time frame defined in this Policy / Scheme document.

CHAPTER V
CLAIMS

10. Invocation of Guarantee:

(i) The lending institutions/MLI may invoke the guarantee in respect of credit facility within a maximum period of one year from date of NPA, if the following conditions are satisfied:

a) The guarantee in respect of that credit facility was in force at the time of account turning NPA as well as at the time of lodgement of the claim.

b) The amount due and payable to the lending institutions/MLI in respect of the credit facility has not been paid and the dues have been classified by the lending institutions/MLI as Non Performing Assets. Provided that the lending institutions/MLI shall not make or be entitled to make any claim on IFCI in respect of the said credit facility if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines contained in this policy or any policy modifications from time to time and original sanction term of the loan covered under the scheme.

c) The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recall notice under SARFAESI Act, 2002 cannot be construed as initiation of legal proceedings for purpose of preferment of claim. MLIs are advised to take further action as contained in Section 13 (4) of the above Act wherein a secured creditor can take recourse to any one or more of the recovery measures out of the four measures indicated therein before submitting claims for first instalment of guaranteed amount. In case the MLI is not in a position to take any of the action indicated in Section 13(4) of the aforesaid Act, they may initiate fresh recovery proceeding under any other applicable law and seek the claim for first instalment from IFCI.

d) If the account becomes NPA within the lock-in period the guarantee claim shall not be entertained.

(ii) The claim should be preferred by the lending institutions/ MLI in such manner and within such time as may be specified by IFCI in this behalf.

(iii) IFCI 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. IFCI shall pay to the lending institutions/MLI interest on the eligible claim amount at the prevailing Bank Rate for the period of delay beyond 30 days. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution. On a claim being paid, IFCI shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.

(iv) In the event of default the lending institution/MLI shall exercise its rights, if any, to takeover the assets of the borrowers and the amount realised, if any, from the sale of such assets or otherwise shall be credited in full by the lending institutions to IFCI before it claims the remaining 25 per cent of the guaranteed amount appropriated as follows:

The amount recovered by the MLIs, after payment of guaranteed amount by IFCI, shall be shared by the MLIs and IFCI in the following manner:

- Expenses incurred towards recovery of the loan after the guarantee settled date shall be appropriated by the MLIs first; and then
- The remaining recovered amount shall be distributed to IFCI in the ratio of Guarantee Claim paid by IFCI to the loan outstanding, on the guarantee claim settlement date, in the books of MLIs (excluding Penal interest and liquidated damages).

(v) The lending institution/MLI shall be liable to refund the claim released by IFCI together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by IFCI in the event of serious deficiencies having existed in the matter of appraisal/renewal /follow-up/conduct of the credit facility or where lodgement of the claim was more than once or where there existed suppression of any material information on part of the lending institutions for the settlement of claims. The lending institutions/MLI shall pay such penal interest, when demanded by IFCI, from the date of the initial release of the claim by IFCI to the date of refund of the claim.

(vi) The cases where mala fide is proved against any official of MLI in any of the loan processes, viz. the loan sanction, disbursal, maintenance, monitoring, rehabilitation and recovery of the asset covered under the scheme, the guarantee claim shall not be entertained.

(vii) Security documents must not be time barred at the time of lodgement of claim. Claim arising out of invocation of the guarantee shall not be entertained in case security documents have become time barred.

The Guarantee Claim received directly from the branches or offices other than respective operating offices of MLIs will not be entertained. MLIs shall form Nodal Offices through whom claims shall be routed to IFCI.

11. Subrogation of rights and recoveries on account of claims paid:

(i) The lending institutions/MLI shall furnish to IFCI, the details of its efforts for recovery, realisations and such other information as may be demanded or required from time to time. The lending institutions/MLI will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of IFCI. IFCI shall not be involved in legal and recovery procedure pursuant to te account becoming NPA and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the lending institution/MLI. However if circumstances so warrant IFCI with the permission of the MOSJ, IFCI can appoint it's advocate/recovery agent to expedite the legal proceedings.

(ii) In the event of a borrower owing several distinct and separate debts to the lending institutions/MLI and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of IFCI or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institutions/MLI to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

(iii) Every amount recovered and due to be paid to IFCI shall be paid without delay, and if any amount due to IFCI remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to IFCI by the lending institutions/MLI at the rate which is 4% above Bank Rate for the period for which payment remains outstanding from the date of recovery.

CHAPTER VI
MISCELLANEOUS

12. Appropriation of amount received from the lending institutions:

The amount received from the lending institutions shall be appropriated in the order in which the renewal fee, penal interest and other charges have fallen due. If the renewal fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards renewal fee and then towards the penal interest and finally towards any other charges payable in respect of the eligible credit facility.

13. Appropriation of amount realised by the lending institutions/MLI in respect of a credit facility after the guarantee has been invoked:

The amount recovered by the MLIs, after payment of initial guaranteed amount (75% of the amount in default) by IFCI, shall be shared by the MLIs and IFCI in the following manner:

Expenses incurred towards recovery of the loan after the guarantee settled date shall be appropriated by the MLIs first; and then

The remaining recovered amount shall be distributed to IFCI in the ratio of Guarantee Claim paid by IFCI to the loan outstanding, on the guarantee claim settlement date, in the books of MLIs (excluding Penal interest and liquidated damages).

14. IFCI's liability to be terminated in certain cases:

(i) If the liabilities of a borrower to the lending institutions/MLI on account of any eligible credit facility guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.

(ii) If a borrower becomes ineligible for being granted any credit facilities under the Scheme, by reason of cessation of his activity or his activity or his undertaking ceasing to come within the definition of an eligible borrower as per the criterion described in point no 6.1, the liability of IFCI in respect of any credit facilities granted to him by a lending institutions/MLI under the Scheme shall be limited to the liability of the borrower to the lending institutions/MLI as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of IFCI fixed under this Scheme. However, notwithstanding the death or retirement of a partner where the borrower is a partnership firm or the death of one of the joint borrowers, if the lending institutions/MLIis entitled to continue the credit facilities to the surviving partner or partners or the surviving borrower or borrowers and qualify as the eligible borrower as per definition of an eligible borrower as per the criterion described in point no 6.1, as the case may be and if the credit facilities have not already become non performing asset, the guarantee in respect of such credit facilities shall not to be deemed to be terminated as provided in this paragraph.

15. Returns and Inspections:

(i) The lending institutions/MLI shall submit such statements and furnish such information as IFCI may require in connection with any credit facility under this Scheme.

(ii) The lending institutions/MLI shall also furnish to IFCI 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 institutions/MLI or any officer thereof for anything done in good faith.

(iii) IFCI 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 IFCI or any other person appointed by IFCI for the purpose of inspection. Every officer or other employee of the lending institutions/MLI or the borrower, who is in a position to do so, shall make available to the officers of IFCI 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.

16. Conditions imposed under the Scheme to be binding on the lending institution/MLI:

(i) Any guarantee given by IFCI shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.

(ii) The lending institutions/MLI shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but notwithstanding any provision in any other document or contract, the lending institutions/MLI shall in relation to IFCI be bound by the conditions imposed under the Scheme.

17. Modifications and Exemptions:

(i) IFCI reserves to itself the right to modify, cancel or replace the 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 herein contained, IFCI 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 invoked as on the date of such alteration.

(iii) In the event of the Scheme being cancelled, no claim shall lie against IFCI in respect of facilities covered by the Scheme, unless the provisions contained in Clause (i) and (ii) of Section 10, Annexure-I of the Scheme are complied with by the lending institutions/MLI prior to the date on which the cancellation comes into force.

18. 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 given in connection therewith, the decision of IFCI shall be final.

19. Supplementary and General Provisions:

In respect of any matter not specifically provided for in this Scheme, IFCI may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

ANNEXURE – II

Sl. No.	STEPS FOR SETTING UP THE SCHEME/FUND	TIME
	Setting up of Funds	3-4 Months
1.	Parking of the funds in no lien account with IFCI	
2.	Formal Launch of the Scheme	
3.	Registration and Issuance of Token on Receipt of Application from MLIs	
4.	Issuance of Credit Enhancement Guarantee to MLIs.	

ANNEXURE – III

INDICATIVE APPRAISAL FORMAT TO BE USED BY BANKS & FIs

Preliminary Appraisal

Name of the Company :
Location :
(Regd. office/Admin. office) :
Deal received through :
Background :
Proposed Project & Location :
Area of fund Utilization :
Promoters :
Present Financial Structure :

(Rs. in crore)

Particulars	2010-11	2011-12	2012-13	2013-14
Sales				
Profit after Tax				
Equity Capital				
Loan Funds				

Projected profitability :

(Rs. in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Sales					
Profit after Tax					
Equity Capital					
PAT Margin%					

ANNEXURE – IV

INDICATIVE DUE DILIGENCE MODULES TO BE ADOPTED BY BANKS & FIS

Note: The information which are not available or not applicable may be marked NA against them.

I. Statutory Documents of Company

a) Organization chart
b) Company contracts (ownership/rental/debt/consultancy/warranty/supplier/client/representation)
c) Shareholding pattern
d) Information on subsidiaries/branch offices
e) JVs, collaborations, tie-ups
f) MOA, AOA
g) Certificate of registration
h) Certificate of commencement of business
i) Latest telephone bill of company

II. Market & Competition

a) Product description
b) Technology
c) Market/Industry analysis
d) Competition analysis
e) Clients
f) Marketing strategy, distribution network, organisation of sales efforts, sales statistics

III. Business Model & Strategy

a) Target-performance comparison & evaluation
b) Company profile/ history/ business model & business divisions
c) Sourcing/ purchasing (raw material) , supplier information
d) Product process, R&D activities, subcontractors
e) Export rate, quoted currency, currency risk

IV. Management & Organization

a) Management/board profile & remuneration/contracts
b) Directors board profile/ Promoters' Background & Remuneration/ Dependencies/ contracts, PAN No. of promoters, identification proof, IT returns of promoters for past 3 years.
c) Mindset/ team dynamics
d) Corporate governance, MIS
e) Controlling, internal reporting
f) Project Management, Product management, employee Involvement (TQM/TPM/CIP)
g) Risk management & Mitigation plans/ Quality Standards
h) Equity, corporate actions, dormant partners

V. Annual Reports & Financial Data

a) Accounting software, flowcharts, processes for liquidity planning, depreciation method & process tools
b) Annual Reports of last 3 yrs including group companies
c) Assets schedule, depreciation intangible assets
d) IP rights, licenses, NDA, disputes
e) Property rights, major assets

f) List of debtors, volume of debt, credit ratings
g) Cash pooling agreements
h) List of accruals, pension liabilities
i) P&L- statement (re-products, clients, business units, regions)
j) Activity Based Costing/ Management (ABC/M)
k) Contingent Liabilities
l) Revaluation of Land, If any
m) Dividends paid
n) Basis of valuation
o) Internal audit reports

VI. Business Plan Review

a) Projected Financial plan (P&L, balance sheet, cash flow)
b) Sales plan (products, markets)
c) Product plan
d) HR plan
e) Investment plan
f) Liquidity plan
g) Other, underlying assumptions
h) Time frame for funds mobilization and utilization.

VII. Workforce & Employee Benefits

a) List of employees & remuneration
b) Detailed list of employees with highest level of earnings
c) List of employees with access to company accounts
d) HR contracts
e) Employee benefits programs & costs
f) Downsizing measures of previous yrs

VIII. Others

a) Suppliers, Partners, **MOU** if any, exclusive rights etc.
b) Insurances
c) Product liability
d) Environment issues/ Pollution level
e) Communication with authorities
f) Important Business Developments
g) Legal disputes/ Allegation/ Charges against company/promoters, if any
h) Land lease papers
i) Undertakings on the ongoing legal suits, if any or not
j) Contact references of two people/clients using same technology
k) Any other information, if any

IX. Accounts Inspection

1. System of Accounting (Manually, Tally, SAP etc.).
2. CA Certificate for sources and utilization of funds.
3. Check source/ receipt of funds with bank statement and books of accounts.
4. Receipt of Share application money with bank statement and ledger/ CA certificate.

5. Share capital accounts (Ledger) to check with Minute book/ROC return and check share register.
6. Sanction and disbursement of loan: from letter of intent of institution/bank and disbursement with bank statement/CA certificate.
7. Bank Reconciliation statement.
8. Check cash payment systems.
9. Loan from promoters: secured or not secured.
10. Any other major receipt in the books of accounts.
11. Expenses on land : source, if paid in cash or in lieu of share capital, if share capital whether share allotted or otherwise.
12. Expenses on land development, expenses on building, boundary wall, road, etc.
13. Paid in advance or in full for purchase of plant & Machinery.
14. Expenses from 9 to 11 to verify from bills/invoices/purchase orders and payment to verify from books of accounts/bank statement including for purchases of fixed/moveable assets.
15. Fixed assets Register to verify/check entries for fixed assets.
16. Check preoperative expenses from ledgers, bank statements, vouchers, supports.
17. Insurance cover for all fixed/moveable assets.
18. Check deduction and payment of all statutory dues, Returns (Income Tax for 3 years, PF, ROC, VAT, Service Tax etc.) (Take a certificate from Company).
19. Internal audit report if available.
20. Balance Sheets of 2/3 previous years, if available.
21. Appointments of Board of Director (for payment of salary/perks to MD, Whole time Directors).
22. Contingent liabilities, Guarantee given by the company.
23. Suits filed by the company and against the company and Director.

* CA certificate for Sources & utilization of funds will be required

** Cross checking by bank statements and with ledger

ANNEXURE – V

(QUARTERLY REPORT OF DISBURSEMENT AND OUTSTANDING POSITION)

(Rs. In lakh)

Sl. No.	Name of the Borrower	Sanction Limit	Amount Disbured	Principal Outstanding	Interest Overdue	Outstanding of other charges levied, if any	Remarks

ANNEXURE-VI

CREDIT ENHANCEMENT GUARANTEE SCHEME FOR SCHEDULED CASTES (CEGSSC)

Application for Invocation of Guarantee Cover and Preferment of Claim under CEGSSC

In terms of Clause 10, Chapter-V, Annexure-I of Credit Enhancement Guarantee Scheme for Scheduled Castes **(CEGSSC)**, we prefer the claim as under:

1. Online Claim Application Ref.No.. Date.......................................

2. Details of Operating office & Lending Branch:

a) Member ID..

b) (i) Lending Branch Name.. (ii) Village / Town..............................

(iii) District.. (iv) State..

(v) Tel.No. (STD code).. No..

(vi) E-mail...

3. Borrower's / Unit's Details:

a) Name ....

b) Complete Address ....

c) District... d) State..

e) Tel.No. (STD code)... No...

4. Status of Account (s):

a) Date on which a/c was classified as NPA...

b) Date of reporting of NPA to IFCI...

c) Reasons for a/c turning NPA ....

....

....

d) Date of issue of Recall Notice...

5. Details of Legal Proceedings:

a) Forum through which legal proceedings were initiated against borrower (Please tick one)

Civil Court/DRT/LokAdalat/Revenue recovery Authority/Securitisation Act, 2002(SRFAESIA)/

Others (please specify)...

b) Suit / Case Registration No.. c) Date.......................................

d) Name of the Forum and location:.. e) Amount Claimed...............................

f) Current Status / Remarks ....

....

....

....

g) Whether recovery proceedings have concluded? Yes / No

6. Term Loan (TL) / Composite Loan Details:

(All amounts to be in Rs.)

Sl. No.	CGPAN	Date of last disbursement	Repayments		Outstanding as on the date of NPA#	Outstanding stated in the civil suit/case filed#	Outstanding as on the date of lodgment of claim#
			Principal	Interest & Other Charges			
1.							
2.							
3.							
4.							

#- Mention only Principal and interest outstanding

7. Security & Personal Guarantee Details:

(All amounts to be in Rs.)

Particulars	Nature	Value	Networth of Guarantor(s)	Resons for reduction in the value of Security, if any
As date of Sanction of Credit				
As on date of NPA				
As on date of lodgement of Claim				

8. Recoveries made from Borrower / Unit after a/c classified as NPA:

(All amounts to be in Rs.)

Sl. No.	CGPAN	Date of last disbursement	Term/Composite Loan		Mode of Recovery @
			Principal	Interest & Other Charges	
1.					
2.					
3.					
4.					
5.					

@- Please indicate mode such as sale of security, subsidy received after date of NPA, One Time Settlement (OTS) etc.

If recovery is done through OTS, indicate the date of seeking approval of IFCI for OTS..

9. Total amount for which guarantee claim is being preferred:

(All amounts to be in Rs.)

Sl. No.	CGPAN	Loan/Limit covered under CGS	Amount Claimed*
1.			
2.			
3.			
4.			
5.			

*Amount eligible for claim is 75% of:

Term Loan/Composite loan: Lower of

a) Principal amount outstanding in the account as on the date a/c was classified as NPA after netting off any repayment/recovery made under the a/c after date of NPA

OR

b) The TL/Composite Loan covered under the CGS.

DECLARATION AND UNDERTAKING BY MLI (BANK/INSTITUTION)

(To be signed by the officer not below the rank of Assistant General Manager of Bank or equivalent rank)

Declaration- We declare that the information given above is true and correct in every respect.

We further declare that there has been no fault or negligence on the part of the MLI or any of its officers in conducting the account. We also declare that the officer preferring the claim on behalf of MLI is having the authority to do so.

We hereby declare that no fault or negligence has been pointed out by internal / external auditors, inspectors of CEGSSE or its agency in respect of the account(s) for which claim is preferred.

Undertaking- We hereby undertake:

a) To pursue all recovery steps including legal proceedings.

b) To report to IFCI the position of outstanding dues from the borrower on half-yearly basis as on march and 31st March September of each year till final settlement of guarantee claim by IFCI.

c) To refund to IFCI the claim amount settled along with interest thereof at 4% over and above the prevailing bank rate, if in the view of IFCI we fail or neglect to take any action for recovery of the guaranteed debt from the borrower or any person from whom the amount is to be recovered.

d) On payment of claim by IFCI, to remit to IFCI all such recoveries, after adjusting towards the **Legal expenses** incurred for recovery of the amount, which we or our agents acting on our behalf, may make from the person or persons responsible for the administration of debt, or otherwise, in respect of the debt due from him / them to us.

Signature...

Name of the official.. Designation...

MLI Name & Seal...

Date ....Place ....

....

1) IFCI reserves the right to ask for any additional information, if required.

2) IFCI reserves the right to initiate any appropriate action / appoint any person / institution etc

To verify the facts as mentioned above and if found contrary to the declaration, reserves the right to treat the claim under CEGSSC invalid.

Please ensure following prior to lodging Claim:

1. Ensure that the guarantee is in force as on the date of claim and the MLI/borrower has paid the Guarantee Fee (GF) and Renewal Fees (ARF) regularly. MLI has to pay annual Renewal Fee till the issue of 1st instalment of the claim to keep guarantee in force.
2. Ensure that the Lock in period of 12 months from the date of last disbursement.
3. The borrower account is classified as NPA as per norms.
4. Date of issue of Recall Notice is furnished.
5. Ensure that legal Proceedings has been initiated and furnished the relevant details such as date of initiation of legal action and legal authority such as DRT / Revenue Recovery Authority / SARFAESI etc to which the legal application is filed. In case of SARFAESI, please follow the guidelines as per our Circular No.43.
6. Ensure that The Declaration & Undertaking duly signed by Assistant General Manager of MLI or an officer of equivalent rank is enclosed with the Claim Application Form.
7. Details of subsidy (amount & date of credit) received after date of NPA, if any, availed by the borrower may also be furnished.

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IFCI LIMITED

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(A Government of India Undertaking)

(भारत सरकार का उपक्रम)

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