

असम ASSAM

081046

Collaboration of CGTMSE with the Government of Assam

For Assam Credit Guarantee Scheme (ACGS)

### MEMORANDUM OF UNDERSTANDING

#### THE PARTY OF THE FIRST PART

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), a Trust set up by the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India and the Small Industries Development Bank of India (SIDBI), having its Corporate Office in the 1<sup>st</sup> Floor, Swavalamban Bhawan, C-11, G Block, Avenue 3, Bandra Kurla Complex, Mumbai, Maharashtra 400051 (herein after called "CGTMSE" which expression shall include its successors and assignees) represented by its Chief Executive Officer Mr. Sandeep Verma, the party of the First Part,

AND

#### THE PARTY OF THE SECOND PART

The Government of Assam (GoA) represented by Shri Manavendra Pratap Singh, IAS, Managing Director, Assam Industrial Development Corporation with office in R. G. Barua Road, Guwahati, Assam (hereinafter called "GoA", which expression shall include its successors and assignees) represented by its Secretary, GoA, the party of the Second Part,

WHEREAS, for the sake of brevity, "CGTMSE" and "GoA" are jointly referred to as "Parties" and individually as "Party" in this MoU,

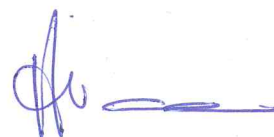


## OBJECTS OF THE PARTIES

1. WHEREAS "CGTMSE" is a Government Trust, established in August 2000 to strengthen the credit delivery system and facilitate flow of credit to the MSE sector such that the lender should give importance to project viability and secure the credit facility mainly on the primary security of the assets financed and such that the lender availing guarantee facility should endeavour to give composite credit (term loan and working capital facilities from single agency) to the borrowers,
2. Whereas the GoA has stated that ensuring of credit linkage through formal channels for MSMEs as one of its objectives,

## WHEREAS

1. Government of Assam hereby nominates Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for administering the Credit Guarantee Scheme for the credit facilities extended by the Lending Institutions. Government of Assam has decided to implement the scheme titled "Assam Credit Guarantee Scheme (ACGS)" for the benefit of Micro and Small Enterprises. The ACGS is a State Government Scheme implemented and operated for units based in Assam and is proportionately funded by Government of Assam with the objectives to facilitate increase in credit off take in the MSE sector, migrating MLIs risk, employment generation, reduce regional imbalance in the state of Assam. Government of Assam will place the Fund with CGTMSE which will be used by CGTMSE to cover the MSE units located in the State of Assam. CGTMSE will provide guarantee coverage for 80% as applicable (50% for retail trades) under its ongoing scheme from its own funds and the upto 18% (48% in respect of retail trades) will be guaranteed from the Fund placed by the State Government to cover maximum 98% of the loan amount as disbursed by the lending institutions. The cases which cannot be covered under CGTMSE's normal Scheme due to its extant guidelines, will be extended a coverage of maximum 98% from the State Government Fund fully.
2. All Lending Institutions (Existing Member Lending Institution of CGTMSE including NBFCs) is eligible for coverage under this ACGS.
3. Within the overall Exposure limit of the portfolio created out of arrangement, NBFCs may be limited to 20% of the overall exposure of the portfolio created.
4. CGTMSE would provide guarantees under 'GoA' scheme, for the credit facilities sanctioned by the Lending Institutions under "ACGS". The



applicability of the Scheme would be for fresh and/or existing credit facility sanctioned to MSEs initially not covered under CGTMSE or any other such Scheme upto maximum limit of ₹200 lakh. Existing credit facility secured by collateral security can be covered under Hybrid Security Model of CGTMSE. Borrowers with nil overdues and not having been slipped into SMA 2, as defined by RBI (i.e. account where overdue is between 61 to 90 days) for last one year with Lending Institutions as on commencement of guarantee coverage will be eligible under the Scheme. The Scheme is available to all Eligible MSEs/Activity which satisfied the norms of CGTMSE credit guarantee schemes.

5. All loans given by each lending institution under the scheme will be considered for coverage under the guarantee. The periodicity of filing of claims by lending institutions will be after the lockin period of 18 months from the guarantee start date.
6. Credit facility guaranteed under ACGS shall be subject to the relevant conditions stated in this MoU and any modifications in the conditions can be altered on mutual agreement of the parties communicated through email, without affecting the validity of this MoU.

NOW THESE PRESENTS WITNESSED AND PARTIES HEREBY AGREE AS FOLLOWS:

## 1: DEFINITIONS AND INTERPRETATION

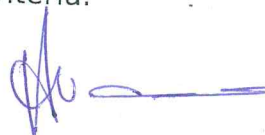
In this MOU, the following words and expressions shall unless repugnant to the context or meaning thereof have the meaning hereinafter respectively ascribed to them.

GoA	Government of Assam
IP	Implementing Partner
CGS-Scheme	Credit Guarantee Scheme for GoA
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
MLIs	Member Lending Institutions
AGF	Annual Guarantee Fee
SMA 2	Special Mention Account where overdue is between 61 – 90 days

## 2: IMPLEMENTATION STRUCTURE OF THE GUARANTEE SCHEME

This guarantee scheme will be implemented by Government of Assam in collaboration with CGTMSE

- 2.1 ACGS Scheme is available to all Micro and small enterprises / units based in Assam as per the stipulated eligibility criteria.





- 2.2 For the loans given by the Member Lending Institutions of CGTMSE under ACGS Scheme, the extent of coverage would be as below:

Credit Facility	Maximum extent of Coverage (%)		
	CGTMSE	Assam State Government (%)	Total
₹0 – ₹200lakh	80%	18%	98%
₹0 – ₹100lakh For Retail Trade	50%	48%	98%

- 2.3 The cases which cannot be covered under CGTMSE's normal Scheme due to its extant guidelines, will be extended a coverage of maximum 100% from the State Government Fund.
- 2.4 The guarantee coverage under Assam credit guarantee scheme shall be 98% at unit level, as the case may be, upto the NPA level of 8% of the crystalised portfolio of the MLI of a particular year. This is true with or without collaboration with CGTMSE. A portfolio will be crystalised as on March 31 every year.
- 2.5 All Lending Institutions (Existing Member Lending Institution of CGTMSE including NBFCs) is eligible for coverage under this ACGS namely Scheduled Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Cooperative Banks and Non-Banking Finance Companies (NBFCs) apart from specific Financial Institutions brought in by GoA into the scheme. In cases where these specific institutions do not meet the eligibility criteria of CGTMSE, the credit guarantee coverage will be extended only by GoA.
- 2.6 There will not be any additional cost of coverage under the ACGS i.e. CGTMSE would be charging fee bases on its share of coverage and State Government's share shall not have any fee.
- 2.7 The release of the CGTMSE portion of the ACGS programme will happen in two tranches, following all the operational norms of credit guarantee schemes of CGTMSE. Wherever, GoA is operating on a standalone basis, the release of credit guarantee will also be made in 2 tranches following all the operational norms of credit guarantee schemes of CGTMSE. In case of any conflict between the special terms of GoA and CGTMSE norms, the former as given in this MoU shall prevail for the GoA component unless agreed to otherwise by the parties in writing.
- 2.8 CGTMSE will not be charging any additional fee for the enhanced coverage portion as provided under ACGS scheme by GoA. For cases which are not eligible for coverage under the normal schemes of CGTMSE, fee will be decided by the GoA and communicated.



- 2.9 CGTMSE to settle the claims as per their normal scheme guidelines as applicable to MLIs.
- 2.10 All other guidelines with respect to submission of application for coverage, timelines, payment of fee process, NPA marking, guarantee invocation, claim settlement, recoveries, etc., will be as per the existing normal Scheme of CGTMSE.
- 2.11 The Parties hereby agree that they shall not share confidential data and non-public information with any third party without consent of the respective party and the borrower, wherever required, except sharing of information as per banking norms, regulatory requirements and the law of the land.
- 2.12 The Parties hereby agree that any material modification or change in MoU (referred as 'former' below in this clause) shall have to be made in writing and the same will be effective only when mutually agreed and signed by the parties, except in the case of certain details of the ACGS programme, the change of which may not be considered as a material modification of this MoU (referred to as 'latter' below in this clause) so as to affect its validity. In case of the former, the party requesting the change may state specifically that the change constitutes a material modification of the MoU. If not stated so specifically by the requesting party or determined by the other party in writing specifically so in reply, all change requests will be considered as the latter by default. With regard to all non-material modifications, the email communications from designated officers acknowledged/responded to by the designated officer of the opposite party is sufficient to effect the change.
- 2.13 It is assumed that necessary approvals from the competent authorities have been taken or will be taken through ratification processes as required by the procedures in the office of each party, while the designated officers communicate by email. This is essential to build up and maintain the momentum of the preparations and operations under ACGS to meet the tough timelines.

### 3: ROLES AND RESPONSIBILITIES OF PARTIES.

#### 3.1 ROLES AND RESPONSIBILITIES OF GoA

- 3.1.1 The GoA will provide overall direction to the Guarantee Scheme.
- 3.1.2 The major role and responsibilities will include:
- (a) overall monitoring and direction for scheme implementation.





(b) Timely release of required initial corpus of ₹100 crore. CGTMSE would be honouring the claims to the extent of corpus available. Additional requirement to be provided by GoA in advance.

(c) Timely release of fund administrative charges / management fee of 1.5% p.a. of the corpus amount.

(d) any other issue related to scheme objectives.

### 3.2 ROLES AND RESPONSIBILITIES OF ADMINISTRATIVE AGENCY / IMPLEMENTING AGENCY (CGTMSE)

3.2.1 CGTMSE shall conform the Credit Guarantee Scheme for ACGS guidelines for the guarantee operations.

3.2.2. CGTMSE would have the discretionary power to register the MLIs as per scheme guidelines, if any.

3.2.3 CGTMSE will develop a portal for guarantee operations including guarantee approvals and claim settlements.

3.2.4 CGTMSE would be submitting the MIS to GoA as and when required.

### 3.3 ROLES AND RESPONSIBILITIES – GENERAL OPERATIONS

3.3.1 Each party will use information which is made available by the other party under this MOU solely for achieving the purpose of this MOU. However, if such purpose involves disclosing such information to third party or publishing such information in any form, then prior written consent of the other party should be obtained.

3.3.2 Each Party will bear its own costs in carrying out the purposes stated herein. Any sharing of cost for any special events or purposes may be as mutually agreed between the parties.

3.3.3 GoA along with CGTMSE shall mutually acknowledge the contribution of each other, wherever possible, on their website and media platforms including print, TV and digital media.



3.3.4 Any amendment in this MoU will be made in writing by mutual consent of both the parties.

#### 4: FLOW OF FUNDS & TIMELINES

1. The Fund given by GoA would be kept by CGTMSE separately as Assam State Government Corpus to run the Scheme.
2. The interest realised will be credited back to the State Government Corpus at the end of a year or as and when realised, after reimbursing the costs incurred for popularising the scheme and incentivising collections, recoveries, etc. by GoA on this front.
3. The funds shall be placed with CGTMSE by Assam State Government in advance for smooth operation of the Scheme and for commencement of the State-run Scheme, as decided upon.
4. The extent of coverage of guarantee by GoA would be adjusted from the funds placed and same would be replenished by the state government on utilisation of 75% fund by the CGTMSE.
5. The Annual Guarantee Fee (AGF) for the loans which are exclusively covered by GoA under ACGS, if the GoA decides to collect AGF, will get added to the State Government Corpus. Similarly, other streams of funds (as decided by GoA) from innovative streams of financing may also get added to State Government corpus.
6. Claim settlement of the State Government Share would be subject to availability of fund being made available by the State Government. CGTMSE would approach State Government for replenishment of Funds once 75% of the corpus is utilised.
7. The ACGS will commence tentatively from April 01, 2023, and continue till March 31, 2028, or till the portfolio reaches a disbursed value of ₹5,000 crores, whichever is earlier. This can be extended by mutual agreement between the parties. This could also be terminated earlier by mutual agreement but will continue till all the loans which are covered under this scheme are serviced as per the agreed terms of this coverage.

#### 5: MONITORING MECHANISM

- 5.1 CGTMSE would also submit the status of guarantee operations under ACGS scheme on annual basis.

#### 6: FORCE MAJEURE

- 6.1 Parties to the contract is not liable for failure to perform the party's obligations if such failure is as a result of Acts of God (including fire, flood, earthquake, storm, hurricane or other natural disaster}, war, invasion, act of foreign enemies,



hostilities (regardless of whether war is declared}, civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, labour dispute, strike, lockout or interruption or failure of electricity or telephone service.

## 7: DISPUTE REDRESSAL PROCEDURE

7.1 In the event of any dispute or difference between the parties hereto, such disputes or differences shall be resolved amicably by mutual consultation. If such resolution is not possible, then unresolved dispute or differences shall be referred to arbitration as per the provisions of Arbitration & Conciliation Act, 1996. The venue of such arbitration shall be at Guwahati or Mumbai or any other place, as may be decided by arbitrator. The cost of the arbitration shall be shared equally by the parties. However, expenses occurred by each party in connection with preparation, presentation should be borne by the parties itself.

7.2 Pending the submission of and / or decision on a dispute, differences of claim or until the arbitral award is published; the parties shall continue to perform all of their obligations under this contract without prejudice through a final adjustment in accordance with such award.

## 8: TERMINATION

8.1 This MoU can be terminated by either side with a written notice of 60 days. The termination/expiration of this MOU shall be without prejudice to any rights or obligations of the Parties that may have accrued prior to the termination and the Trust will not be liable to settle any claims post termination of this MOU. All claims lodged with the institution prior to the termination will be settled subject to availability of funds / corpus under this arrangement.

## 9: GENERAL

1. The Parties hereby agree that the relationship between the Parties is on principal-to-principal basis. Nothing contained herein shall be deemed to create any association, partnership, joint venture or relationship of principal and agent or master and servant, or employer and employee between the Parties hereto or any affiliates or subsidiaries thereof or to provide any Party with the right, power or authority, whether express or implied to create any such duty or obligation on behalf of the other Party. The Parties shall be deemed to be independent contractors and employees of one shall not be deemed to be the employees of the other.
2. The Parties hereby agree/acknowledge that either party shall be at liberty to enter into similar arrangements with any other institutions.



3. This MoU may be executed in duplicate counterparts, each of which shall be deemed an original, but both such separate counterparts collectively shall constitute only one and the same instrument.
4. All notices, or other communications required to be given or made in writing specifically hereunder by either Party shall be in English language, in writing and (i) delivered personally or (ii) sent by prepaid registered post or (iii) sent through courier or (iv) sent through facsimile transmission and always (v) sent by email addressed to the other Party at its address or number given below or to such address or number as that Party may from time to time notify to the other Party;

To,

The CEO,

CGTMSE, 1<sup>ST</sup> Floor, SIDBI Swavalamban Bhawan, Avenue 3, Lane 2, Bandra Kurla Complex, Bandra East, Mumbai 400051, Maharashtra, India.

Ph: 022-67221552

Email: [ceosecretariat@cgtmse.in](mailto:ceosecretariat@cgtmse.in)

For the party on the first part

AND

To,

The CEO,

The Managing Director

Assam Industrial Development Corporation, Govt of Assam, R.G. Barua Road, Guwahati, Assam.

Phone: 0361-2201215

Email: [aidcltd@gmail.com](mailto:aidcltd@gmail.com)

for the party on the second part.

It is represented that the signatory to this Memorandum of Understanding has authorization to represent on behalf of each party and is competent to enter into this MoU

To

The CEO

The Managing Director

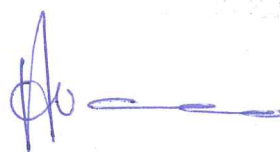
Assam Industrial Development Corporation

Guwahati, Assam

Ph:

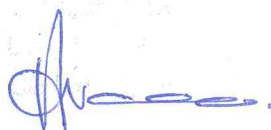
Email:

for



IN WITNESS WHEREOF both parties to the agreement have put their hands on the date, month and year above written in the presence of following witnesses.

For CGTMSE



(Sandeep Varma)  
Chief Executive Officer, CGTMSE  
SIDBI, Mumbai

For Govt of Assam



(Manavendra Pratap Singh, IAS)  
Managing Director  
Assam Industrial Development  
Corporation, Govt of Assam

Witness:

1. Jigar Shah,  
Chief Operating Officer  
CGTMSE, Mumbai



Signature:

2. Amitav Saikia,  
Dy General Manager (Tech),  
Assam Industrial Development Corporation  
Govt of Assam, Guwahati



Signature:

Dated September 19, 2022