Abstract

This document summarizes functional needs of credit guarantee business for new guarantee issuance & their continuity for education loan scheme.  
Intention is to collate & track functional specifications of underlying business processes for education loan guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Education Loan – Issuance of New Credit Guarantees & Guarantee Continuity

**Document Version History**

|  |  |  |  |
| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
| 1.0 | Baseline | 28-Jan-2016 | Sachin Patange |
| 2.0 | Added additional validations | 23-Dec-2016 | Sachin Patange |
| 3.0 | Revisions as per CG Operations | 29-Apr-2017 | Sachin Patange |
| 4.0 | Incorporated GST Calculations | 5-Aug-2017 | Sachin Patange |
| 5.0 | 1. Duplicate Loan Checks:  - In New CG request - Duplicate Check for MLI + Loan A/c No. is introduced when records are transited from temporary to permanent CG table.  - In Continuity CG Request - Duplicate Check for MLI + Loan A/c No. + Scheme + Status is introduced – at least one active CG record should exist.  2. Introducing Loan Close Flag in CG Continuity. | 7-Dec-2017 | Sachin Patange |
| 6.0 | Modifications due to Lapse module:   1. Calculation impact for Penalty and Fees 2. Persisting CG record due to lapse and recurring lapse leading to closure | 26-Dec-17 | Sachin Patange |
| 7.0 | Added condition for Loan Moratorium End Date in CG Continuity Eligibility Criteria Checks | 3-Feb-2018 | Sachin Patange |
| 8.0 | Rule on NPA date to compare with file upload date (file for requesting new CG) | 17-Aug-2018 | Sachin Patange |
| 9.0 | Change in logic of Fee & Cover calculation (New & Continuity) [Earlier there exists a comparison between outstanding and sanction amount which is lower for calculation purpose, now this comparison is removed and calculation is based on outstanding only] | 22-Aug-2019 | Sachin |
| 10.0 | Added Business Validation rule to cap outstanding amount | 26-Aug-2019 | Satyan |
| 11.0 | Business Validation rule – New CG | 25-Mar-2020 | Satyan |
| 12.0 | Surge Enhancements- Update CG | 08-03-2023 | Supriya Shinde-Dhuri |

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**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
| --- | --- | --- |
| S. No. | Term | Description |
| 1 | BATCHDAN | Batch Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for demand of CG Fees for batch of loan records which MLI needs to pay to avail the CG cover. |
| 2 | CG | Credit Guarantee |
| 3 | CGDAN | Credit Guarantee Demand Advisory Number - a Unique Credit Guarantee Demand Number generated by NCGTC processing system for each loan record demand of CG Fees which MLI needs to pay to avail the CG cover. |
| 4 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 5 | DDMMYYYY | DD- Date; MM-Month; YYYY-Year (4 digit) |
| 6 | eGov Standards | E Government Standards – Information Technology Standards. |
| 7 | FY | Financial Year |
| 8 | IFSC | An Indian Financial System Code - an alphanumeric code that uniquely identifies a bank-branch. |
| 9 | MLI | Member Leading Institute. These will be Banks, Factors, and Para- Banks etc. Institutes predominantly in business of Money Lending’s. |
| 10 | NPA | Non-Performing Asset |
| 11 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 12 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process.  *SURGE – System for Underwriting, Reassurance & Guarantee Endorsement* |
| 13 | SC | Scheduled Caste |
| 14 | ST | Scheduled Tribe |
| 15 | Gen | General |
| 16 | XML | Extensible Markup Language (**XML**) is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. It is defined by the W3C's XML 1.0 Specification and by several other related specifications, all of which are free open standards. |

## **Introduction**

For purpose of educational loans, NCGTC has designed a guarantee product known as Credit Guarantee Fund Scheme for Education Loan (CFFSEL).

NCGTC extends guarantee to the education loans extended by Member Lending Institutions to an eligible borrower for:

* Education loans extended by Member Lending Institution(s) to an eligible borrower as per IBA scheme, on or after entering into an agreement with NCGTC without any collateral security and/or third-party guarantee, provided that the lending institution applies for guarantee cover in respect of education loans so sanctioned within such time period and as per the procedures prescribed by NCGTC for the purpose.
* The Fund may, at its discretion, approve/frame a list of educational institutes and/or their courses, loans for which the guarantee cover will be available, or the Fund may also notify the categories of educational institutions/courses for which the guarantee cover shall not be available.

### **Fund & Docket Construct**

Currently it is being envisaged that this scheme has three dockets. These dockets have codes - ‘GEN’, ‘SC’ and ‘ST’ respectively. Schematic relation for the Trust, Fund, Scheme and Docket Relation is as below:

## **Input File Layout**

This section specifies the layout of input file which MLI’s needs to send for their respective Loan information’s to request issuance of credit guarantees and/or Continuity of the credit guarantees from NCGTC.



### **Layout: Input File – New CG Issuance**

Refer the spread sheet – Education Scheme - New CG Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Layout: Input File - CG Continuity**

Refer the spread sheet – Education Scheme – CG Continuity Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Layout: Input File – Update CG**

Refer the spread sheet – Education Scheme – Update CG Input Layout for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

## **Input File Format Processed By SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** processed files received in any other formats than those listed above.

**New CG: -**



**CG Continuity: -**



**Update CG: -**



## **Preparation of Input File**

This section describes the process for preparation of input file which MLI needs to send to NCGTC. MLI’s need to prepare and send TWO separate files, each having different layout. The purpose of these two files is:

1. NEW credit guarantees – Credit Guarantees for *new* education loans disbursed at their end (these disbursals can be full or partial).
2. Continuity of CG – Continuing existing Credit Guarantee cover (i.e. maintaining the guarantee ‘In Force’ of EXISTING Credit Guarantee’s)
3. Update of CG- Update existing Credit Guarantee cover (i.e. maintaining the guarantee ‘In Force’ of EXISTING Credit Guarantee’s)

**Important Note:**

1. A periodic frequency of each Quarter is decided to receive and process the input files for new credit guarantees.
2. Annual periodic frequency is decided to receive and process the input files for continuity of existing guarantees.

### **New Credit Guarantees – Request for Quotes and Issue of Guarantees**

As a part of MLI’s loan business at their end, they will sanction and disburse Loans to the borrower under the Education Scheme. While doing these sanctions and disbursement, MLI’s will:

1. Undertake various business checks and validations to ascertain the eligibility of the borrower.
2. Disburse loan amount in full or in partial.
3. Maintain relevant details of the loan account(s) in their IT system *(Presuming Core Banking System).*

Whilst the above activities from the loan business perspective is being done by the MLI’s, they *may* essentially leverage the benefit of NCGTC’s Education Loan Guarantee Scheme.

As a part of this scheme, MLI’s are advised to send their requests to NCGTC for issuing credit guarantees in following steps:

1. At the end of every quarter, MLI needs to extract the loan information for all those NEW loan accounts created in PREVIOUS QUARTER and which has an EFFECTIVE DISBURSEMENT of loan amount (either full or partial) in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.
2. For New Credit Guarantee Request, for the first time (i.e. immediately after the enrolment with NCGTC for Education Loan Scheme) MLI’s will be permitted to extract and send the loan accounts for all those loan accounts created Post the scheme start date and which has an EFFECTIVE DISBURSEMENT of loan amount (either full or partial) in a file, called as ‘Input File – New CG Issuance’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.3.

Consequently, after the first submission and process of request for credit guarantees, point no. 1 mentioned above is applicable.

1. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has three dockets which are for – ‘GEN’, ‘SC’ and ‘ST’ – wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme dockets which is – ‘GEN’, ‘SC’ and ‘ST’ respectively.
2. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
3. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) and NCGTC approval, the state of the input file is changed as *‘Approved’* state.
4. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*

### **Requesting Quotes for Credit Guarantee Continuity**

Credit Guarantee’s issued under the ‘Education Loan Scheme’ scheme by NCGTC needs to be CONTINUED every annum. For continuing these guarantees, MLI’s are advised to send their requests to NCGTC and follow these steps:

1. At the end of every financial year end, MLI’s needs to extract the loan information from their IT system for all those loan accounts due for continuity in the next financial year in a file, called as ‘Input File – CG Continuity’. Information to be extracted in the layout mentioned in the section 1.2.2 and in the format mentioned in section 1.3.
2. MLI’s are allowed to send revised values of the ‘Outstanding Loan Amount’ and ‘Loan Tenure’ of these Loan Accounts which may vary due to loan restructuring or overdue on account of unpaid interest and/or penalty’s levied by MLI to the borrower.
3. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’. Internally for this scheme, system has three dockets which are for – ‘GEN’, ‘SC’ and ‘ST’ – wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme dockets which is – ‘GEN’, ‘SC’ and ‘ST’ respectively.
4. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
5. After final verification of the input file by MLI approver user account (created by their own MLI Administrator) and NCGTC approval, the state of the input file is changed as *‘Approved’* state.
6. Final submission of the *‘Approved’* input file for further process of Quotes Generation will be effective once MLI accepts to the *‘Management certificate - Terms & Conditions’.*

**Important Note:**

1. MLI fails to send the Request for CG Continuity, NCGTC will NOT be able to continue the CG – consequently marking the CG status as LAPSE.
2. CG which is/are LAPSED can be continued on payment of stipulated penalty fixed by NCGTC.

### **Summary - Preparing & Uploading the Input File**

Note: MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

## **Generation of New Credit Guarantee**

System initiates processing of input file for ‘Issuing’ Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

Steps involved in the batch execution for generating the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions.

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for issuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘Loan Account Number’ AND ‘MLI’ specified DOES EXISTs in SURGE System Database. *(If MLI and loan Account exists in the system and have a unique guarantee number (CGPAN), than – this loan account will be rejected by SURGE for issue of new CG).*

*This check is repeated when loan accounts are transited from temporary table to permanent store at the time NCGTC Approves the data. If duplicate found, then entire file is rejected.*

1. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
2. Duplicate Check for MLI AND Loan A/c No. - when records are transited from temporary to permanent CG table. If in case duplicates are identified, then, an exception report is generated and NCGTC User cannot approve the file.
3. The ‘Sanctioned Loan Date’ IS OLDER THAN the Scheme Start Date (Scheme Start Date is configurable parameter at the scheme level) AND LATER THAN immediate previous quarter end date.
4. For first time (i.e. immediately after MLI enrolment with NCGTC for this scheme) - the ‘Date of First Disbursement’ IS NOT Between the Scheme Start Date AND immediate previous quarter end date.

Consequently, after the first submission and process of request for credit guarantees, ‘Date of First Disbursement’ IS NOT of immediate previous quarter date.

1. For First Disbursement Date: if Loan Amount First Disbursement IS EQUAL OR LESS THAN Zero AND First Disbursement Date is present.
2. The ‘Sanctioned Loan Amount’ IS EQUAL TO OR LESS THAN ZERO.
3. Loan Amount First Disbursement:
   1. IS GREATER THAN Sanction Amount
   2. IS EQUAL OR LESS THAN Zero
4. The ‘Sanctioned Loan Amount’ IS NOT BETWEEN the scheme parameters - ‘Maximum Limit to Guarantee Issuance Allowed (INR)’ and ‘Minimum Limit to Guarantee Issuance Allowed (INR)’.
5. The ‘Outstanding Loan Amount’ LESS THAN 'Minimum Acceptable value for Outstanding/sanction Amount' in docket parameter.
6. DOB - This date IS NOT BETWEEN 01-01-1900 & Current System Date (both inclusive).
7. Loan End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT DATE
   2. EQUAL TO FIRST DISBURSEMENT DATE
   3. LATER THAN 31-12-9999
   4. IS EARLIER THAT CURRENT SYSTEM DATE
8. Loan Moratorium End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT
   2. EQUAL TO FIRST DISBURSEMENT DATE
   3. LATER THAN OR EQUAL TO 31-12-9999
9. Annual Income of Father/Guardian IS LESS THAN ZERO.
10. Loan Tenure – IS LESS THAN ZERO.
11. The ‘Loan Account NPA’ field has value as ‘Y’ (Which means it is marked as NPA).
12. ‘Date of NPA’ IS NOT NULL/SPACE(s).
13. The ‘Outstanding Loan Amount’ is Greater than two times of Sanctioned amount.

*Note - For the field names mentioned above refer section 1.2.1.*

### **Allotting Credit Guarantee Unique Identifiers - CGPAN**

For the eligible records system allocates a unique identification number to the processed loan account, called as CGPAN – Credit Guarantee Permanent Account Number, for traceability and management of CG in SURGE system.

CGPAN follows a specific format:

**CGPAN Format for General Scheme:**

**CGPAN Format for SC Scheme:**

**CGPAN Format for ST Scheme:**

CGPAN signifies a unique identification to the credit guarantee in SURGE system. Subsequently it is used to integrate with Accounting Subsystem and for payment reconciliations.

Post CGPAN allotment, SURGE updates the status of the loan guarantee record:

Guarantee Cover ‘Status’ Field: **‘NOT ISSUED’**

### **Deduplication Criteria Checks**

Currently no provision for de-duplication will be provided, since, rolling out this scheme and acceptance of this scheme by Factors is priority. Consequently, as the scheme and its process of issuance and settling guarantees stabilizes – it will be decided to construct an effective de-duplication mechanism.

### **Calculate Credit Guarantee Fees & Covers**

For issuing the existing CG system calculates the credit guarantee cover and the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.5.2.

For new Credit Guarantee’s, the Charges includes– Fees and Taxes.

The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

The calculation for cover will be based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Guarantee Cover’ (%) configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:

Guarantee Cover = Outstanding Loan Amount \* Guarantee Cover (%)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 4000.00 |

Guarantee Cover calculation is based on Outstanding Loan Amount. Thus, Guarantee Cover = 4000 \* 75%

Which equals to INR 3000/-

**Calculating the Credit Guarantee Cover:**

* CG Cover is calculated on Outstanding Loan Amount

### **Calculating Credit Guarantee Fees**

Since request for CG can occur at any of the quarters and the continuity period is annual, the calculation for fees for new CG request is for ‘Broken Period’ i.e. till next FY. It is based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:

Guarantee Fee = Outstanding Loan Amount \* (((Annual Guarantee Fee in Percent) / 4) \* (No. of Quarter’s Left in current FY including the current quarter when the request for CG Quote is made))

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. It means that 2 quarters are left in current FY. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 4000.00 |

Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 4000 \* (0.5%/4) \*2

Which equals to INR 10/-

**Calculating the Credit Guarantee Fee:**

* CG Fee will be calculated on Outstanding Loan Amount

### **Calculating Tax on Credit Guarantee Fees**

### **Calculation based on Service Tax, Krishi-Kalyan Cess and Swach Bharat Cess**

Tax on Credit Guarantee Charges is determined based on CG Fees calculated in section 1.5.5.2. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formula is as below:

Tax on Guarantee Fee = (Tax1 \* Credit Guarantee Fee) + (Tax2 \* Credit Guarantee Fee) + …. + (Taxn \* Credit Guarantee Fee)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. It means that 2 quarters are left in current FY. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 100,000 \* (0.5%/4) \*2

Which equals to INR 250/-

Taxation on INR 250/- is determined as below:

1. Service Tax on this Fee @14% is 250\*14% = INR 35/-
2. Swach Bharat Cess on this Fee @0.5% is 250\*0.5% = INR 1.25/-

Total Tax is summation of service tax and Swach Bharat Cess = 35 + 1.25 = INR 36.25/-

**Calculating the Credit Guarantee Fee Tax:**

1. SURGE provides facility to define tax components (names and values (%))
2. Summation of these tax components provides total tax chargeable on CG Fees.

### **Calculation based on GST**

As per GST policy, tax on GST is primarily based on MLI’s Headquarters’ location i.e. the state in which MLI is primarily based. NCGTC’s state of operations is decided as Maharashtra state.

**If the state of MLI operation is Maharashtra**:

Then as per GST policy, CGST and SGST will be applicable in the tax calculation.

The formula is as below:

Tax on Guarantee Fee = (Credit Guarantee Fee \* CGST Rate Defined in SURGE) + (Credit Guarantee Fee \* SGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. It means that 2 quarters are left in current FY. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 100,000 \* (0.5%/4) \*2

Which equals to INR 250/-

Taxation on INR 250/- is determined as below:

1. SGST Tax on this Fee @9% is 250\*9% = INR 22.5/-
2. CGST Tax on this Fee @9% is 250\*9% = INR 22.5/-

Total Tax is summation of CGST and SGST = 22.5 + 22.5 = INR 45/-

**If the state of MLI operation is Not Maharashtra**:

Then as per GST policy, IGST will be applicable in the tax calculation.

The formula is as below:

Tax on Guarantee Fee = (Credit Guarantee Fee \* IGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MLI uploads and approves the input file on SURGE system on 10th November 2015. This input file contains Loan Disbursement Information for July-August-September 2015. It means that 2 quarters are left in current FY. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 100,000 \* (0.5%/4) \*2

Which equals to INR 250/-

Taxation on INR 250/- is determined as below:

1. IGST Tax on this Fee @18% is 250\*18% = INR 45/-

Total Tax, IGST = INR 45/-

### **Demand Advice for Guarantee Charges**

MLI needs to make payment of Fees and Taxes calculated as above to bring the guarantee ‘In Force’. The demand for fees is made to MLI in form of CGDAN – Credit Guarantee Demand Advisory Number. It is a unique number, used for traceability and management of CG Fees in SURGE.

It is used to integrate with Accounting Subsystem and for payment reconciliations.

### **CGDAN – Demand Advice: New Guarantee Cover - Individual**

This is a demand advice number for each loan record (or guarantee cover).

**CGDAN Format for General Scheme:**

**CGDAN Format for SC Scheme:**

**CGDAN Format for ST Scheme:**

*GC – Guarantee Charge.*

### **BATCHDAN – Demand Advice: New Guarantee Cover - Batch**

Payments from MLI will be accepted for all the eligible records submitted by him i.e. at the batch level (batch here means the file submitted for quote request). To achieve this, system needs to aggregate CG Charges of all eligible records and raise the demand. A unique demand advice number called as ‘BATCHDAN’ is allotted to the batch of these eligible records in the format as below:

**Batch DAN Format for Batch of eligible records – New Credit Guarantee Batch:**

### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

### **Payment of CG Charges in Stipulated Time**

Payment of CG Charges in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’.

Guarantee Cover ‘Status’ Field: **‘In Force’**

System makes the CG as ‘In Force’ by using the below status codes:

* Current CG Status – 30010
* Previous CG Status – 30036

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)

**Guarantee Start Date and Validity:**

1. Guarantee is issued and put ‘In Force’ from the first day of first month of the particular quarter i.e. for Jan-Feb-March quarter - guarantee start date is 1st of Jan, for April-May-June quarter - guarantee start date is 1st of April, for July-Aug-Sep quarter - guarantee start date is 1st of July and for Oct-Nov-Dec quarter - guarantee start date is 1st of Oct.
2. This guarantee is valid till end of that Financial Year. i.e. if the guarantee has been issued in FY 2015, then its validity is till 31st March 2015.
3. It is expected that the MLI to keep the guarantee cover in active state needs to apply for quotes during the CG continuity period of next FY (in April month) and pay the applicable CG Charges.

### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Not Issued’.

Guarantee Cover ‘Status’ Field: **‘NOT ISSUED’**

System makes the CG as ‘Not Issued’ by using the below status codes:

* Current CG Status – 30011
* Previous CG Status – 30036

In fact there is a Service/Job which is executed at a predefined interval which will make the status codes as mentioned above. Thus, marking a provisional CG as ‘Not Issued’ is a system controlled function.

No further operations are allowed.

## **Continuing Credit Guarantee**

System initiates processing of input file for ‘Continuing’ Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

Steps involved in the batch execution for continuing the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions

Continuity of CG depends on previous state of CG, following are possible ‘Continuity’ flows handled by SURGE:

Scenario 1:

MLI Uploads Loan Account Information of ‘**In Force**’ CG

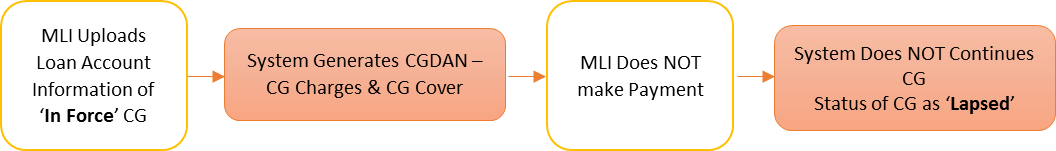
System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 2:



Scenario 3:

MLI Uploads Loan Account Information of ‘**Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 4:

MLI Uploads Loan Account Information of ‘**Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continues CG

Status of CG as ‘**Lapsed**’

Scenario 5:

MLI Uploads Loan Account Information of ‘**NPA – In Force**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Scenario 6:

MLI Uploads Loan Account Information of ‘**NPA - In Force**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continue CG

Status of CG as:

‘**NPA – Lapsed**’ – if NPA persists OR ‘**Lapsed’ -** if not an NPA

Scenario 7:

MLI Uploads Loan Account Information of ‘**NPA - Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI makes Payment

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Scenario 8:

MLI Uploads Loan Account Information of ‘**NPA - Lapsed**’ CG

System Generates CGDAN – CG Charges & CG Cover

MLI Does NOT make Payment

System Does NOT Continues CG

Status of CG as:

‘**NPA – Lapsed**’ – if NPA persists OR ‘**Lapsed’ -** if not an NPA

Continuity of CG is NOT Allowed for following Cases:

1. Guarantee Cover ‘Not Issued’
2. Guarantee who has reported ‘Outstanding Loan Amount’ as Zeroes
3. CG whose claims has been lodged by MLI
4. Queries for Claims & Resolution
5. Claims Reject/Approve
6. Auto Approval of Claims (This is a configurable parameter. For example if this parameter has value INR 10,000/- then for the claims less than or equal to INR 10,000/- will be settled automatically)
7. Claim Settlement (1st and Final)
8. Post Claim Recoveries
9. Closures
10. Revoke (by NCGTC user)

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for continuing credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘MLI’ AND ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MLI Loan Account does not exists in the system with a match for unique guarantee number (CGPAN), than – this loan account will be rejected by SURGE for* continuity *of CG).*
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The ‘Loan Account Number’ for a particular Loan Account specified for a MLI is verified for existence (on more than one count) in CG table, if count is more than one, then system verifies its status. If status is ACTIVE for more than one count, then error.

*i.e. only one active loan account (or CG) to exist for the given MLI and its loan account.*

[Duplicate Check for MLI + Loan A/c No. + Scheme + Status is introduced – at least one active CG record should exist (for same MLI, Loan A/c, Scheme)]

1. Loan Tenure IS LESS THAN ZERO.
2. Loan End Date:
   1. IS EARLIER THAN FIRST DISBURSEMENT DATE
   2. EQUAL TO FIRST DISBURSEMENT DATE
   3. IS EARLIER THAT CURRENT SYSTEM DATE
3. The ‘Outstanding Loan Amount’ LESS THAN 'Minimum Acceptable value for Outstanding/sanction Amount' in docket parameter.
4. The MLI AND ‘Loan Account Number’ exists in CG Issuance Database. Existing CG’s - CG Issue Start Date and CG Issue End Date is for that current FY, then, this record is rejected with message ‘Loan A/c is already received in this FY’.
5. The credit guarantee exists in system having its latest Current Status Code as:
6. 30036
7. 30011
8. 30013
9. 30005
10. 30018
11. 30019
12. Date of NPA:
    1. First the system, gets the immediate previous records NPA Flag (for that Loan Account) and NPA date values from CG Issuance Database (Records are chronologically sorted on date of insert in CG Issuance database from Oldest to Latest and the Latest records NPA flag and NPA date is being considered for following checks). Then, the input file record is rejected if:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S. No. | Latest Record in Existing in Database for Given CG | | Record In Input File | |
| **NPA Flag** | **Date** | **NPA Flag** | **Date** |
| 1 | N | Null | N | NOT Null |
| 2 | N | Valid date – D1 | N | NULL/SPACES |
| 3 | N | Valid date – D1 | Y | NULL/SPACES |
| 4 | N | Valid date – D1 | N | NOT Same as D1 |
| 5 | N | Null | Y | Date provided is NOT between first disbursement date and current system date (inclusive of current system date) |
| 6 | N | Valid date – D1 | Y | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 7 | Y | Valid date – D1 | N | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 8 | Y | Valid date – D1 | Y | NOT Same as D1 |
| 9 | Y | Valid date – D1 | N | NULL/SPACES |
| 10 | Y | Valid date – D1 | Y | NULL/SPACES |

* 1. NPA date provided by MLI is EARLIER TO or EQUAL TO ‘New File Uploaded date’ (i.e. Created Date of the file for New CG Request, in the system). In case above error condition is achieved, then the system revoke the loan account in consideration with relevant error message.

This communication is made available to maker and checker of MLI in the invalid records spreadsheet. In spite of this communication if MLI approves the update file, then, in system will revoke the respective CG’s of this customer and thus no billing consideration. System will generate the revoke transaction only after NCGTC approval. This revoke transaction is generated as in section 1.7.6.

1. Loan Close:
   1. If Loan Closed Flag is ‘N’, then Date of Loan Closure is NOT NULL/SPACES
   2. If ‘Loan Closed’ is N and Valid date is Provided
   3. If ‘Loan Closed’ is Y:
      1. If for the given loan account, there is FDD/FDA present in the CG table (for file type 1), then, ‘Date of Loan Closure’ (a valid date) is NOT EQUAL to this ‘Date of First Disbursement’ and NOT EARLIER than this First Disbursement Date AND NOT LATER Current System Date.
2. Loan Moratorium End Date:
   1. IS EARLIER THAN Sanctioned Loan Date
   2. IS EQUAL TO Sanctioned Loan Date
3. The ‘Outstanding Loan Amount’ is Greater than two times of Sanctioned amount.

*Note - For the field names mentioned above refer section 1.2.*

### **Determine Credit Guarantee Cover & Charges**

For continuing the existing CG system calculates the credit guarantee cover and the charges to issue this cover for the loan records which have cleared the eligibility criteria checks mentioned in section 1.6.2.

For continuing the Credit Guarantee, charges includes – Fees, Penal Interest Charges (if the CG is in lapsed state) and Taxes.

The rules/logic for calculating cover and charges is covered in this section.

### **Calculating Credit Guarantee Cover**

The calculation for cover will be based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Guarantee Cover’ (%) configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:

Guarantee Cover = Outstanding Loan Amount \* Guarantee Cover (%)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 4000.00 |

Guarantee Cover calculation will be based on Outstanding Loan Amount. Thus, Guarantee Cover = 4000 \* 75%

Which equals to INR 3000/-

**Calculating the Credit Guarantee Cover:**

* CG Cover will be calculated on Outstanding Loan Amount

### **Calculating Credit Guarantee Fees**

SURGE provides a provision to calculate the CG Fees under two situations: Under ‘normal’ circumstances when MLI has provided continuity request in timely manner and another wherein MLI provides the CG request post ‘Lapse’ and ‘Release Lapse’ situation.

### **Calculating Credit Guarantee Fees – Normal**

CG for continuity of guarantee is annual. The calculation for CG Fees is in advanced for entire FY. Credit Guarantee Fee is determined based on Outstanding Loan Amount provided by MLI in his respective Input File along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the formulae is as below:

Guarantee Fee = Outstanding Loan Amount \* Annual Guarantee Fee in Percent

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 4000.00 |

Guarantee Fee calculation will be based on Outstanding Loan Amount.

Thus, Guarantee Fee = 4000 \* 0.5%

Which equals to INR 200/-

**Calculating the Credit Guarantee Fee:**

* CG Fee will be calculated on Outstanding Loan Amount

### **Calculating Credit Guarantee Fees – Post Release Lapse**

This calculation for CG Fees occurs post ‘Release Lapse’ of each CG. Similar to fee calculation as in ‘Normal’ situation, here also, the calculation remains same as described in section 1.6.3.1.

### **Calculating Penal Interest for Lapsed Revival**

In situation of loan record not received for guarantee continuity for a particular cycle, the guarantee cover awarded to the loan record is inactivated with status as ‘Lapsed’. This is a system generated transaction with status code as 30013. For such lapsed guarantee’s, NCGTC user can select them for ‘Release Lapse’ case (status code 30038) and mark the for levying penal charges. Now if loan record is presented to the system through the input ‘Input file – CG Continuity’, then, the system calculates the penal interest which MLI needs to pay in conjunction to the current calculated CG Fees and taxes.

*Note that the penal interest is only to be considered or calculated if the MLI and the scheme for which the renewal data is being received is marked for ‘Levy Penal Interest’. If the MLI and the scheme for which the renewal data is being received is NOT marked for ‘Levy Penal Interest’, then, penal charge calculation is NOT done.*

On receipt of payment of penal interest along with CG Fees and taxes, system revives the guarantees.

Formulae for calculation of penal interest is:

Penal Interest for Lapsed Revival = (CG Fees \* ((Annual Penal Interest Rate (%) for Lapsed Revival)/12) \* Number of Lapsed Months)

*Note: Here ‘No. of Lapsed Quarters’ Does NOT include current quarter where MLI request CG Continuity*

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 500,000.00 |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till March 2015. However, its guarantee cover has lapsed after that, and NCGTC agreed to release the lapse state of the CG in May 2015, then since then number of Lapsed months = 2 months.

Since Outstanding Loan Amount exceeds Sanctioned Loan Amount, CG Fees is calculated on Sanctioned Loan Amount which is - INR 2000/-.

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (2000 \* (6.0% / 12) \* 2) = INR 20/-

**Calculating the Penal Interest for Lapsed Revival:**

1. The Loan Account CG cover has lapsed since MLI has failed to provide details of Outstanding Loan Account on previous count. Thus, Penal interest is based on the Fees calculated on Loan Outstanding Amount presented and not on Loan Outstanding Amount of the lapsed months.

### **Calculating Tax on Credit Guarantee Fees & Interest for Lapsed Revival**

### **Calculation based on Service Tax, Krishi-Kalyan Cess and Swach Bharat Cess**

Tax on Credit Guarantee Charges is determined based on CG Fees and Penal Interest calculated in section 1.6.3.2 and 1.6.3.3 respectively. There will be various Taxation components. SURGE allows users to define these components (their names and tax value). Summation of these tax components is the total tax determined. The formulae is as below:

Tax on Guarantee Fee = (Tax1 \* (Credit Guarantee Fee + Penalty)) + (Tax2 \* (Credit Guarantee Fee + Penalty)) + …. + (Taxn \* (Credit Guarantee Fee + Penalty))

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* 0.5%

Which equals to INR 500/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 500/- is determined as below:

1. Service Tax on this Fee @14% is 500\*14% = INR 70/-
2. Swach Bharat Cess on this Fee @0.5% is 500\*0.5% = INR 2.5/-

Total Tax is summation of service tax and Swach Bharat Cess = 70 + 2.5 = INR 72.50/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 500,000.00 |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till March 2015. However, its guarantee cover has lapsed after that, and NCGTC agreed to release the lapse state of the CG in May 2015, then since then number of Lapsed months = 2 months.

Since Outstanding Loan Amount exceeds Sanctioned Loan Amount, CG Fees is calculated on Sanctioned Loan Amount which is - INR 2000/- (Refer section 1.6.3.3).

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (2000 \* (6.0% /12) \* 2) = INR 20/-

Taxation is calculated on INR (2000 + 20) = INR 2020/- is determined as below:

1. Service Tax on this @14% is 2020\*14% = INR 282.80/-
2. Swach Bharat Cess on this @0.5% is 2020\*0.5% = INR 10.10/-

Total Tax is summation of service tax and Swach Bharat Cess = INR 292.90/-

**Calculating the Credit Guarantee Fee Tax:**

1. SURGE provides facility to define tax components (names and values (%))
2. Summation of these tax components provides total tax chargeable on CG Fees.

### **Calculation based on GST**

As per GST policy, tax on GST is primarily based on MLI’s Headquarters’ location i.e. the state in which MLI is primarily based. NCGTC’s state of operations is decided as Maharashtra state.

**If the state of MLI operation is Maharashtra:**

Then as per GST policy, CGST and SGST will be applicable in the tax calculation.

The formula is as below:

Tax on Guarantee Fee = [(Credit Guarantee Fee + Penalty) \* CGST Rate Defined in SURGE] + [(Credit Guarantee Fee + Penalty) \* SGST Rate Defined in SURGE]

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* 0.5%

Which equals to INR 500/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 500/- is determined as below:

1. SGST Tax on this Fee @9% is 500\*9% = INR 45/-
2. CGST Tax on this Fee @9% is 500\*9% = INR 45/-

Total Tax is summation of CGST and SGST = 45 + 45 = INR 90/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 500,000.00 |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till March 2015. However, its guarantee cover has lapsed after that, and NCGTC agreed to release the lapse state of the CG in May 2015, then since then number of Lapsed months = 2 months.

Since Outstanding Loan Amount exceeds Sanctioned Loan Amount, CG Fees is calculated on Sanctioned Loan Amount which is - INR 2000/- (Refer section 1.6.3.3).

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (2000 \* (6.0% /12) \* 2) = INR 20/-

Taxation is calculated on INR (2000 + 20) = INR 2020/- is determined as below:

1. SGST Tax on this Fee @9% is 2020\*9% = INR 181.80/-
2. CGST Tax on this Fee @9% is 2020\*9% = INR 181.80/-

Total Tax is summation of CGST and SGST = INR 363.60/-

**If the state of MLI operation is Not Maharashtra**:

Then as per GST policy, IGST will be applicable in the tax calculation.

The formula is as below:

Tax on Guarantee Fee = (Credit Guarantee Fee \* IGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Education Loan Scheme Parameters** |  |
| Guarantee Cover (%) | 75% |
| Annual Guarantee Fee (%) | 0.50% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 7,50,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 5,000.00 |
| Sanctioned Loan Amount | 4,00,000.00 |
| Annual Penal Interest Rate (%) for Lapsed Revival \* | 6.0% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

\* *Note - Annual Penal Interest Rate (%) for Lapsed Revival includes Bank Rate and Annual Penal Interest Rate agreed by NCGTC.*

**Scenario 1:** Tax Calculation for Non Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2015. This input file contains Loan Disbursement Information till previous March 2015. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 100,000.00 |

Thus, in case of the example cited above, Guarantee Fee = 100,000 \* 0.5%

Which equals to INR 500/-

There is no penalty levied on this loan. Thus, Penalty = INR 0/-

Taxation on INR 500/- is determined as below:

1. IGST Tax on this Fee @9% is 500\*18% = INR 90/-

Total Tax, IGST = INR 90/-

**Scenario 2:** Tax Calculation for Penal Interest Case

MLI uploads and approves the input file on SURGE system on 10th April 2018. This input file contains Loan Disbursement Information till previous March 2018. One of the Loan Account values are as below:

|  |  |
| --- | --- |
| Outstanding Loan Amount | 500,000.00 |

This loan account had been issued guarantee cover in the Quarter 1 of 2014 and had been ‘In Force’ since then till March 2015. However, its guarantee cover has lapsed after that, and NCGTC agreed to release the lapse state of the CG in May 2015, then since then number of Lapsed months = 2 months.

Since Outstanding Loan Amount exceeds Sanctioned Loan Amount, CG Fees is calculated on Sanctioned Loan Amount which is - INR 2000/- (Refer section 1.6.3.3).

Based on this CG Fees, penal interest for Lapsed Revival is calculated as (2000 \* (6.0% /12) \* 2) = INR 20/-

Taxation is calculated on INR (2000 + 20) = INR 2020/- is determined as below:

1. IGST Tax on this Fee @18% is 2020\*18% = INR 363.60/-

Total Tax, IGST = INR 363.80/-

### **Demand Advice for Guarantee Charges**

For guarantee charges demand to continue the guarantee cover, system generates the DAN as specified below.

### **CGDAN – Demand Advice: Existing Guarantee Cover - Individual**

The demand for CG Charges is raised to MLI by generating CGDAN. Refer section 1.5.6.1 for details on CGDAN.

### **BATCHDAN – Demand Advice: Existing Guarantee Cover - Batch**

Batch DAN Format for Batch of eligible records – Continuity of Credit Guarantee Batch:

### **Payment of CG Charges**

Till the point MLI makes the payment of CG Charges, system will identify these CG’s as ‘Provisional’ by means of below mentioned status codes:

* Current CG Status – 30036
* Previous CG Status – 30036

Refer the document - ‘Payment Mechanism’ for more details on payment process.

**(Note: - Provided UTR update access same like MLI maker to NCGTC creator also. MLI maker and NCGTC checker both can enter the payment details i.e. Update the UTR in system. If MLI maker update the UTR details for same Input file/CGPAN NCGTC maker can’t update and Vice-versa).**

### **Payment of CG Fees/Taxes/Penalty in Stipulated Time**

Payment of CG Fees in stipulated time makes the guarantee active, and the Guarantee Status is updated as ‘In Force’ with below mentioned status codes:

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Record Details In Input File for Loan Account in Consideration** | **State of Latest Record in SURGE for Corresponding Loan Account’s CG** | **Satus Codes Provided by System for the New Entry** |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30010  Previous State – 30036 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30020  Previous State – 30036 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30010  Previous State – 30036 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30020  Previous State – 30036 |
| 7 | Loan Account is Standard | Current State – 30038 | Current State – 30010  Previous State – 30036 |
| 8 | Loan Account is NPA | Current State – 30038 | Current State – 30020  Previous State – 30036 |
| 9 | Loan Account is Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30005  Previous State – 30036 |
| 10 | Loan Account is NPA & Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30005  Previous State – 30036 |

SURGE allows following operations for active (In Force) guarantees:

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (1st and Final)
* Post Claim Recoveries
* Close (by MLI user)
* Close (by NCGTC user)
* Lapse (by System)
* Release of Lapse (by NCGTC user)
* Modify Specific Fields (by MLI User)

Note:

In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for Closed and not as NPA.

### **Non Payment of CG Charges in Stipulated Time**

On non-payment (due to partial payment or No payment by MLI) of CG Charges in stipulated time, system is unable to issue the guarantee, thus, the guarantee status remains as ‘Lapsed’, with below mentioned status codes:

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Record Details In Input File for Loan Account in Consideration** | **State of Latest Record in SURGE for Corresponding Loan Account’s CG** | **Satus Codes Provided by System for the New Entry** |
| 1 | Loan Account is Standard | Current State – 30010 | Current State – 30013  Previous State – 30013 |
| 2 | Loan Account is NPA | Current State – 30010 | Current State – 30013  Previous State – 30013 |
| 3 | Loan Account is Standard | Current State – 30020 | Current State – 30013  Previous State – 30013 |
| 4 | Loan Account is NPA | Current State – 30020 | Current State – 30013  Previous State – 30013 |
| 7 | Loan Account is Standard | Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 8 | Loan Account is NPA | Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 9 | Loan Account is Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30013  Previous State – 30013 |
| 10 | Loan Account is NPA & Closed | Current State – 30010 OR  Current State – 30020 OR  Current State – 30038 | Current State – 30013  Previous State – 30013 |

Note:

* The above mentioned lapsed status codes are provided by the Service/Job which is executed at a predefined interval. Thus, marking a provisional CG as ‘Lapsed’ is a system controlled function.
* No further operations are allowed on Lapsed CG.
* In case of marking the CG as NPA or Standard or Closed: – if Loan Account has been specified with NPA fields and Close fields together – then – CG status provided will be for NPA Guarantee Lapse.

**Guarantee Start Date and Validity:**

1. The guarantees are issued and put ‘In Force’ from the start date of the Financial Year i.e. 1st of April.
2. These guarantees are valid till end of Financial Year. i.e. if the guarantee has been continued in FY 2015, then validity is till 31st March 2015.
3. It is expected that the MLI to keep the guarantee cover in active state needs to apply for quotes during the CG continuity period of next FY April month and pay the applicable CG Charges.

## **Update Credit Guarantee**

System initiates processing of input file for ‘Update Guarantees on upload and approval of loan data file from MLI’s (along with acceptance to the terms & conditions of Management certificate) for a given batch execution.

Steps involved in the batch execution for continuing the credit guarantees entails following steps:

The above is a schematic representation of various processes which will execute in batch mode of NCGTC system. Status reports will be generated at the end of each process to keep NCGTC end users informed and take corrective actions

Update of CG depends on previous state of CG, following are possible ‘Update CG flows handled by SURGE:

Scenario 1:

MLI Uploads Loan Account Information of ‘**In Force**’ CG

MLI approved the Update CG file

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 2:

MLI Uploads Loan Account Information of ‘**In Force**’ CG

MLI not approved the Update CG file

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 3:

MLI Uploads Loan Account Information of ‘**NPA – In Force**’ CG

MLI approved the Update CG file

System Continues CG.

Status of CG as:

‘**NPA – In Force**’ – if NPA persists OR ‘**In Force’ -** if not an NPA

Scenario 4:

MLI Uploads Loan Account Information of ‘**NPA - In Force**’ CG

MLI not approved the Update CG file

System Does NOT Continue CG

Status of CG as:

‘**NPA – Lapsed**’ – if NPA persists OR ‘**Lapsed’ -** if not an NPA

### **Input File Content to Staging Area**

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for Update credit guarantees. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘MLI’ AND ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MLI Loan Account does not exist in the system with a match for unique guarantee number (CGPAN), than – this loan account will be rejected by SURGE for* Update *of CG).*
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The ‘Loan Account Number’ for a particular Loan Account specified for a MLI is verified for existence (on more than one count) in CG table, if count is more than one, then system verifies its status. If status is ACTIVE for more than one count, then error.

*i.e. only one active loan account (or CG) to exist for the given MLI and its loan account.*

[Duplicate Check for MLI + Loan A/c No. + Scheme + Status is introduced – at least one active CG record should exist (for same MLI, Loan A/c, Scheme)]

1. Loan Tenure – not same as per previous Continuity file.
2. Loan End Date – not same as per previous Continuity file.
3. The ‘Outstanding Loan Amount’ – not same as per previous Continuity file.
4. The MLI AND ‘Loan Account Number’ exists in CG Issuance Database. Existing CG’s - CG Issue Start Date and CG Issue End Date is for that current FY, then, this record is rejected with message ‘Loan A/c is already received in this FY’.
5. The credit guarantee exists in system having its latest Current Status Code as:

* 30036
* 30011
* 30013
* 30005
* 30018
* 30019

1. Date of NPA:
   1. First the system, gets the immediate previous records NPA Flag (for that Loan Account) and NPA date values from CG Issuance Database (Records are chronologically sorted on date of insert in CG Issuance database from Oldest to Latest and the Latest records NPA flag and NPA date is being considered for following checks). Then, the input file record is rejected if:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S. No. | Latest Record in Existing in Database for Given CG | | Record In Input File | |
| **NPA Flag** | **Date** | **NPA Flag** | **Date** |
| 1 | N | Null | N | NOT Null |
| 2 | N | Valid date – D1 | N | NULL/SPACES |
| 3 | N | Valid date – D1 | Y | NULL/SPACES |
| 4 | N | Valid date – D1 | N | NOT Same as D1 |
| 5 | N | Null | Y | Date provided is NOT between first disbursement date and current system date (inclusive of current system date) |
| 6 | N | Valid date – D1 | Y | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 7 | Y | Valid date – D1 | N | Date provided is NOT Later than D1 OR EXCEEDS current system date |
| 8 | Y | Valid date – D1 | Y | NOT Same as D1 |
| 9 | Y | Valid date – D1 | N | NULL/SPACES |
| 10 | Y | Valid date – D1 | Y | NULL/SPACES |

* 1. NPA date provided by MLI is EARLIER TO or EQUAL TO ‘New File Uploaded date’ (i.e. Created Date of the file for New CG Request, in the system). In case above error condition is achieved, then the system revoke the loan account in consideration with relevant error message.

This communication is made available to maker and checker of MLI in the invalid records spreadsheet. In spite of this communication if MLI approves the update file, then, in system will revoke the respective CG’s of this customer and thus no billing consideration. System will generate the revoke transaction only after NCGTC approval. This revoke transaction is generated as in section 1.7.6.

1. Loan Close:
   1. If Loan Closed Flag is ‘N’, then Date of Loan Closure is NOT NULL/SPACES
   2. If ‘Loan Closed’ is N and Valid date is Provided
   3. If ‘Loan Closed’ is Y:
      1. If for the given loan account, there is FDD/FDA present in the CG table (for file type 1), then, ‘Date of Loan Closure’ (a valid date) is NOT EQUAL to this ‘Date of First Disbursement’ and NOT EARLIER than this First Disbursement Date AND NOT LATER Current System Date.
2. Loan Moratorium End Date- not same as per previous Continuity file.
3. The ‘Outstanding Loan Amount’ is Greater than two times of Sanctioned amount. - not same as per previous Continuity file.

*Note - For the field names mentioned above refer section 1.2*

### **Determine Credit Guarantee Cover & Charges**

There is No CG Fee/Refund calculation is required. All status should be same as per CG Continuity file.

## **Persisting the Loan Account Information in CG Table**

### **New Credit Guarantee Information**

The New Loan Account information (or New CG) if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 1 (which indicates that this is a batch transaction for New CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – Date Time of Record insertion
* CG Current & Previous Status codes – Refer Section 1.5.7.1 Payment of CG Charges in Stipulated Time

### **Continue Credit Guarantee Information**

The Loan Account information provided for continuity of CG if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 2 (which indicates that this is a batch transaction for Continue CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.6.5.1 Payment of CG Charges in Stipulated Time.

### **Update Credit Guarantee Information**

The Loan Account information provided for Update of CG if found eligible, is saved in Credit Guarantee table (i.e. CG table). It is important to note that, all the loan information value provided by MLI is saved in the table along with Credit Guarantee status (as explained in above section) and along with below mentioned specific field values:

* File Type – 3 (which indicates that this is a batch transaction for Update CG)
* Transaction Mode – 120001
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – NCGTC user id
* Created Date – Date Time of Record insertion
* CG Current & Previous Status codes – Refer Section 1.6.5.1 Payment of CG Charges in Stipulated Time.

### **Lapsed Credit Guarantee Information**

A system job will ‘Lapse’ the CG’s as a request for Continuity and request for New CG’s. For CG Continuity the CG’s will be Lapsed if:

* Non-payment of Full Fees in Timely manner
* Non provision of continuity request (MLI does not provide data for CG continuity)

New CG’s will be Lapsed if:

* Non-payment of Full Fees in Timely manner

This job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120005
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.6.5.2 Non Payment of CG Charges in Stipulated Time.

### **Closure of Credit Guarantee Information On Account of Recurring Lapse**

A system job will auto close recurring lapsed CG’s. A job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120007
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – 30018

### **Non Issuance of Credit Guarantee Information On Account of Non Payment of CG Charges**

A system job will make the provisional CG’s as Not Issued in case payment for the same are not received in time. A job will make an entry in the CG database with following fields:

* File Type – 99 (which indicates that this is a System Transaction)
* Transaction Mode – 120005
* Loan Account No. – Same loan account no. of original record
* MLI Id - Same MLI Id of original record
* Schemes Id - Same Schemes Id of original record
* Is Active Flag – Active
* Created By – System Id
* Created Date – DateTime of Record insertion
* CG Current & Previous Status codes – Refer Section 1.5.7.2 Non Payment of CG Charges in Stipulated Time.

### **Revoke Credit Guarantee**

System will generate a revoke transaction for that specific loan account with following fields and values:

* File Type – 99 (which indicates that this is a system generated transaction)
* Transaction Mode – 120006
* Customer Id – Customer Id of the record for which this revoke transaction is generated
* Loan Account – Loan Account of the record for which this revoke transaction is generated
* CGPAN - CGPAN of the record for which this revoke transaction is generated
* MLI ID – MLI Id of the record for which this revoke transaction is generated
* Schemes Id – Schemes Id of the record for which this revoke transaction is generated
* Current State - 300018
* Is Active Flag – Active
* Created Date – DateTime of Record insertion

## **BI Reports**

1. Performance Summary.
2. Performance Summary As Per Sanctioned Date.
3. Status Reports.

## **Points Pending for Further Clarification**

Following points will need clarification from NCGTC:

|  |  |  |
| --- | --- | --- |
| S. No. | Point for Further Clarification | Contemplations |
| - | - | - |

On receipt of further clarification from NCGTC team, the current document will undergo revision.