Abstract

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

Business Requirement Document

Credit Guarantee scheme for startups – Umbrella Based – Issuance of New and Continuity Credit Guarantees

**Document Version History**

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| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
| 1.0 | Baseline – New CG Request | 03-Feb-2021 | Satyan Soni |
| 2.0 | Baseline – Continuity CG Request | 05-Feb-2021 | Satyan Soni |
| 2.1 | New field in Continuity File – Updated Pooled investment in startup | 08-Mar-2021 | Satyan Soni |

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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 MI 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 MI 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 | MI | The lending/investing institutions should be:   * Scheduled Commercial Banks and Financial Institutions. * RBI registered Non-Banking Financial Companies (NBFCs) having a rating of BBB and above as rated by external credit rating agencies accredited by RBI and having minimum net worth of ` 100 crore. * However, it may be noted that in case an NBFC subsequently becomes ineligible, due to a downgrade in the credit rating below BBB, the NBFC shall not be eligible for further guarantee cover till upgradation again to eligible category. * SEBI registered Alternative Investment Funds (AIFs) |
| 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. |
| 17 | VDF | Venture Debt Fund |
| 18 | AIF | Alternative Investment Fund |

## **Introduction**

For purpose of Startup India loans, NCGTC has designed a guarantee product known as Credit Guarantee Fund Scheme for Startups – Umbrella based (CGSSU).

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

* Startup 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 startup loans so sanctioned within such time period and as per the procedures prescribed by NCGTC for the purpose.

### **Fund & Docket Construct**

Currently, only general dockets envisaged for this scheme. These dockets have codes - ‘GEN’ respectively. Schematic relation for the Trust, Fund, Scheme and Docket Relation is as below:

## **VDF Registration Process**

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

As a part of MI’s business at their end, they will sanction and invest money in startups and can avail guarantees under the Credit Guarantee scheme for startups. While doing these sanctions and disbursement, MI’s will:

1. Undertake various business checks and validations to ascertain the eligibility of the startup.
2. Venture Debt Fund registration, Charging CG Fees and Issuance of Guarantee fees.
3. Uploading New CG File in Surge Application and validation of eligibility criteria for guarantees.
4. Maintain relevant details of the loan account(s) in their IT system *(Presuming Core Banking System).*

As a part of this scheme, MI’s to send their VDF registration requests to NCGTC for issuing credit guarantees in following steps:

1. MI’s to extract details of fund and send details for VDF registration to NCGTC.
2. After successful registration of VDF’s, details pertaining Fund to be shared and system will charge CG Fees based on Total Fund allocated for startup and Guarantee to be assigned.
3. Once CG Fees is paid and Guarantees is assigned, MI needs to extract the investment information for all NEW startup who they have invested and which has an EFFECTIVE DISBURSEMENT of amount 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.
4. For New Credit Guarantee Request, the first time (i.e. immediately after the Enrolment and VDF Registration with NCGTC for Startup Loan Scheme) MI’s will be permitted to extract and send the startup loan accounts for all those records created Post VDF Registration and Guarantees Issuance start date and has an EFFECTIVE DISBURSEMENT of loan amount 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.
5. Upload this file on the NCGTC system in *‘Non Approved’* state by MI user account. The file needs to be uploaded against a startup ‘Scheme’. Internally for this scheme, system has one docket which are for – ‘GEN’ wherein certain scheme specific parameters are defined. System will extract and split the records for specific guarantee treatment/operations defined in the scheme docket, which is – ‘GEN’ respectively.
6. Until the specified period, (Until the input file is approved by NCGTC) MI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MI’s to append, edit and delete the NEW loan account information multiple times and in *‘Non Approved’* state.
7. After final verification of the input file by MI approver user account (created by their own MI Administrator) and NCGTC approval, the state of the input file is changed as *‘Approved’* state.
8. Final submission of the *‘Approved’* input file would be effective once MI accepts to the *‘Management certificate - Terms & Conditions’.*

### **VDF Registration**

Note: NCGTC needs to enroll this MI to scheme first and then follow VDF registration process.

**VDF Registration Number Format:**

*VDF – Venture Debt Fund.*

### **VDF Registration Fields**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S. No. | Field Name | Description | Type | Mandatory/Optional | Validation |
| 1 | VDF Registration Number | VDF Registration number with NCGTC | Alphanumeric | Mandatory | System Generated number. |
| 2 | VDF Registration Date | Date VDF Registration is done with NCGTC | Date | Mandatory | System date would be visible.  Previous and current date to be allowed |
| 3 | Prospectus filed with SEBI | Document Upload | - | Mandatory | Only file in Acrobat© Reader format (.pdf) |
| 4 | Date of First Close | Date of raising of first tranche of resources towards the corpus | Date | Mandatory | Past date until Current System Date.  No future date Allowed. |
| 5 | VDF Creation – Certificate number | Letter/Certificate Reference Number | Alphanumeric | Mandatory | VDF certificate Date should not be Before VDF registration date. Previous and current date to be allowed.  No future date Allowed. |
| 6 | VDF Creation - Certificate Date | Letter/Certificate Reference Date | Date | Mandatory | Past date until Current System Date.  No future date Allowed. |
| 7 | Life of VDF (In Years) | Life of VDF (In Years) | Number | Mandatory | [0-9] |
| 8 | Terminal Date of VDF | Terminal Date of VDF | Date | Mandatory | Should only be Future date previous and Current date not to be allowed |
| 9 | Purpose of VDF | Purpose of VDF | Text | Mandatory | Space is allowed |

*Note – This input data is required for selected customer (at customer level).*

### **VDF Fund and CG Cover Issuance**

### **VDF Fund Fields**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S. No. | Field Name | Description | Type | Mandatory/Optional | Validation |
| 1 | VDF Registration Number | VDF Registration number with NCGTC | Alphanumeric | Mandatory | Auto Populated value |
| 2 | Fund Raising - Reference Number | Fund Raising - Reference Number | Alphanumeric | Mandatory |  |
| 3 | Fund Raising - Reference Date | Fund Raising - Reference Date | Date | Mandatory | Past date until Current System Date.  No future date Allowed. |
| 4 | Total Fund Raised By VDF | Total Fund Raised By VDF | Numeric/Decimal | Mandatory | Value having 2 decimal.  Greater than 0. |
| 5 | Pooled Investments in startups | Pooled Investments in startups | Numeric/Decimal | Mandatory | Value having 2 decimal.  Greater than 0. |
| 6 | Guarantee Cover Lodgment Date | Guarantee Cover Lodgment Date | Date | Mandatory | Auto Populated – Current System Date |

*Note –*

1. *This input data is required for selected VDF (at VDF level).*
2. *Single registered VDF can raise multiple Fund and will have to pay CG Fees for each funds to get guarantees.*

### **Calculate Credit Guarantee Fees**

For issuing the CG, system calculates the credit guarantee cover and the charges to issue this cover on Fund allocated for startup, which MI would update after VDF Registration.

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 Fees**

The calculation of CG Fees depends on Total Fund Amount allocated to startup .i.e. Total pooled investment in startups provided by MI while sharing Fund details with NCGTC. ‘Annual Commitment Charge (%) configured in the ‘Scheme’, it’s respective ‘Docket’, Risk premium parameter values (%) and the formulae is as below:

Guarantee Fee = Pooled Investments in startups \* (Annual Commitment Charge in Percent)

Risk Premium Fees = Guarantee Fees \* (Summation of Risk Premium parameter Values in percentage/100)

Total Guarantee Fees = Guarantee Fee + Risk Premium Fees

*Scenario:*

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| Annual Commitment Charge (%) | 0.15% |
| Pooled Investments in startups | 2,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| NPA Percentage Risk Premium | 20% |
| Claim Payout Percentage Risk Premium | 10% |

Guarantee Fee calculation will be based on Total Fund Allocated for Startup.

Guarantee Fee = 2000000000.00\* (0.15%) = 3000000.00

Risk Premium Fee = 3000000.00 \* 30% = 900000.00

Total Guarantee Fee INR = 3000000.00 + 900000.00 = 3900000.00

**Calculating the Credit Guarantee Fee:**

* CG Fee will be calculated on Total Fund Allocated for Startup .i.e. Total pooled investment in startups

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

### **Calculation based on GST**

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

**If the state of MI 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 = (Guarantee Fee \* CGST Rate Defined in SURGE) + (Guarantee Fee \* SGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| Annual Commitment Charge (%) | 0.15% |
| Total Fund Allocated for Startup | 2,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| NPA Percentage Risk Premium | 20% |
| Claim Payout Percentage Risk Premium | 10% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

Guarantee Fee calculation will be based on Total Fund Allocated for Startup.

Guarantee Fee = 2000000000.00\* (0.15%) = 3000000.00

Risk Premium Fee = 3000000.00 \* 30% = 900000.00

Total Guarantee Fee INR = 3000000.00 + 900000.00 = 3900000.00

Taxation on INR 3900000.00/- is determined as below:

1. SGST Tax on this Fee @9% is 3900000.00\*9% = INR 351000.00/-
2. CGST Tax on this Fee @9% is 3900000.00\*9% = INR 351000.00/-

Total Tax is summation of CGST and SGST = 351000.00 + 351000.00 = INR 702000.00/-

**If the state of MI 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)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| Annual Commitment Charge (%) | 0.15% |
| Total Fund Allocated for Startup | 2,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| NPA Percentage Risk Premium | 20% |
| Claim Payout Percentage Risk Premium | 10% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

Guarantee Fee calculation will be based on Total Fund Allocated for Startup.

Guarantee Fee = 2000000000.00\* (0.15%) = 3000000.00

Risk Premium Fee = 3000000.00 \* 30% = 900000.00

Total Guarantee Fee INR = 3000000.00 + 900000.00 = 3900000.00

Taxation on INR 3900000.00/- is determined as below:

1. IGST Tax on this Fee @18% is 3900000.00\*18% = INR 702000.00/-

Total Tax, IGST = INR 702000.00/-

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

MI needs to make payment of Fees and Taxes calculated as above to bring the guarantee ‘In Force’. The demand for fees is made to MI 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:**

*GC – Guarantee Charge.*

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

Payments from MI will be accepted for all the eligible records submitted by him i.e. at the each VDF level (Registered and Approved VDF). To achieve this, system needs to aggregate CG Charges on Total Fund allocated for startup for particular registered VDF 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 MI 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 (Guarantee Issuance Provisional)
* Previous CG Status – 30036 (Guarantee Issuance Provisional)

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 Update Guarantee Status 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 (Guarantee(s) In Force)
* Previous CG Status – 30036 (Guarantee Issuance Provisional)

Once Guarantee is issued, SURGE allows following operations for active (In Force) VDF guarantees vis Continuity File (Once New CG File is uploaded and approved in SURGE):

* Mark as NPA
* Un-Mark as NPA
* Lodge Claim
* Queries for Claims & Resolution
* Claims Reject/Approve
* Claim Settlement (Interim and Final)
* Post Claim Recoveries
* Close (by MI user)
* Close (by NCGTC user)

**Guarantee Start Date and Validity:**

1. Guarantee is issued and put ‘In Force’ for current Financial Year. i.e. if the guarantee has been issued in FY 2020-2021, then its Guarantee Start date is from 1st April 2020.
2. This guarantee is valid until end of that Financial Year .i.e. if the guarantee has been issued in FY 2020-2021, then its validity is 31st March 2021.
3. MI’s are expected 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.

## **Input File Layout**

Once VDF is registered and Guarantee issued, MI can upload New CG Request in SURGE. This section specifies the layout of input file and startup information that MI’s needs to upload to request issuance of credit guarantees from NCGTC.

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

Refer the spreadsheet – Startup Umbrella Based Schemes - New Input File Layout for the fields included Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Layout: Input File – Continuity CG issuance**

Refer the spreadsheet – Startup Umbrella Based Schemes - New and Continuity Input File 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 MI(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.

## **Preparation of Input File**

This section describes the process for preparation of input file which MI needs to send to NCGTC. MI’s need to prepare and upload files on SURGE portal. The purpose of these file is:

1. NEW credit guarantees – Credit Guarantees for *new* Startup loans – Umbrella Based.
2. CONTINUITY of credit guarantees - Continuing existing Credit Guarantee cover under Credit Guarantees for Startup loans – Umbrella Based (i.e. maintaining the guarantee ‘In Force’ of EXISTING Credit Guarantee’s)

**Important Note:**

1. Once VDF registration and Credit Guarantees issuance is completed and MI can upload and process the input files for new credit guarantees and share details of all the startup who have availed loans.

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

Note: MI’s are expected to perform these steps in stipulated as per GAZETTE Notification.

## **Generation of New Credit Guarantee**

System initiates processing of input file for fetching information of startup who have availed loan under Startup scheme – Umbrella. Batch execution of New CG input file to get all the startup loan accounts details who have availed loans from VDF’s and want to avail Renewals from next financial year.

Steps involved in the batch execution for sending startup loan information to NCGTC for registered VDF’s 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 MI 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**

Perform following checks on each MI Startup 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 VDF Registration number DOES NOT EXISTs in SURGE System Database.
2. Registered VDF number Guarantees state is Provisional .i.e. CG Fees not paid to NCGTC.
3. The ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ AND ‘MI’ AND ‘VDF Registration number’ specified DOES EXISTs in SURGE System Database. *(If MI and loan Account and customers Id and IT pan 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).*
4. Records in same input file presented by MI 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).
5. Duplicate Check for ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ AND ‘MI’ AND ‘VDF Registration number’ - 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.
6. The ‘Sanctioned Loan Date’ IS OLDER THAN the Scheme Start Date (Scheme Start Date is configurable parameter at the scheme level).
7. For First Disbursement Date: if Loan Amount First Disbursement IS EQUAL OR LESS THAN Zero AND First Disbursement Date is present.
8. The ‘Sanctioned Loan Amount’ IS EQUAL TO OR LESS THAN ZERO.
9. Sanction date earlier than VDF registration date.
10. CG cover limit of Summation of records with same VDF registration number more than Maximum of ₹ 100 Crore Per borrower.
11. Loan Amount First Disbursement:
    1. IS GREATER THAN Sanction Amount
    2. IS EQUAL OR LESS THAN Zero
12. The ‘Outstanding Loan Amount’ LESS THAN 'Minimum Acceptable value for Outstanding/sanction Amount' in docket parameter.
13. Loan End Date:
    1. NOT EQUAL TO Terminal Date of VDF.
14. Loan Tenure – IS LESS THAN ZERO.
15. The ‘Loan Account NPA’ field has value as ‘Y’ (Which means it is marked as NPA).
16. ‘Date of NPA’ IS NOT NULL/SPACE(s).

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

**Important Note:**

*1. If a particular VDF allocates Rs. 100 Cr. For investment in Start-ups under the CGSSU scheme. Annual commitment charges of 0.15% are charged on this 100Cr. For first year. Through New CG File Upload, the VDF will upload the data of start-ups in which they have invested and want to avail the CG Cover.*

1. *The system should validate that, the Sum of (Outstanding Loan Amount – Collateral Security Amount) -> Subject to Max. 10 Cr per Start-up should not exceed Rs. 100 Cr at any point of time during the life of VDF for all the records taken together.*

### **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 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’**

## **Continuing Credit Guarantee**

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

*Note:*

1. *If MI uploads an input file as per the layout mentioned in the section 1.3 and in the format mentioned in section 1.5, and in this file, all the startup accounts for a given customer need to exists in CG Issuance table (excluding those which are closed/claimed), then, system will consider this accounts information for continuity. While continuing these accounts it will re-use the same CGPAN issued earlier to that IT Pan. Refer section 1.6.3 for more details on CGPAN.*

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:

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

System Generates CGDAN – CG Charges & CG Cover

MI makes Payment

System Continues CG.

Status of CG as ‘**In Force**’

Scenario 2:

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

System Generates CGDAN – CG Charges & CG Cover

MI does not make Payment

System Does NOT Continue CG

Guarantee will be in Provisional state until CG Fees is paid.

Scenario 3:

MI Uploads Loan Account Information of ‘**NPA – Guarantee In Force** CG

System Generates CGDAN – CG Charges & CG Cover

MI Does NOT make Payment

System Does NOT Continues CG

Status of CG as:

Guarantee will be in Provisional state until CG Fees is paid.

Scenario 4:

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

System Generates CGDAN – CG Charges & CG Cover

MI makes Payment

System Continues CG.

Status of CG as:

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

Scenario 5:

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

System Generates CGDAN – CG Charges & CG Cover

MI Does NOT make Payment

System Does NOT Continue CG

Guarantee will be in Provisional state until CG Fees is paid.

Scenario 8:

Continuity of CG is NOT Allowed for following Cases:

1. Guarantee ‘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. Claim Settlement (Interim and Final)
7. Post Claim Recoveries
8. Closures
9. 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**

Perform following checks on each MI 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*:

|  |  |
| --- | --- |
| **S. No.** | **Rule Description** |
|  | The ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ AND ‘MI’ and ‘VDF Registration Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MI and loan Account and customers Id and IT pan does not exists in the system than – this loan account will be rejected by SURGE for issue of Continuity CG).* |
| 1 | The ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ and ‘VDF Registration Number’ for a particular record specified in same input file presented by MLI is checked within the same input file, Rejection:   * If Only ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ and ‘VDF Registration Number’ matches, then – this account will be rejected as duplicate in same input file. |
| 2 | The ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ and ‘VDF Registration Number’ specified for a particular Account is checked for a given ‘MI’, ‘IT Pan’, ‘Loan Account number’, ‘VDF Registration Number’ AND then the ‘Customer ID’ is checked along with Scheme Id. Here there are two possibilities for Rejection –   * If both Customer Id and Loan Account No. exists in the database such that the CG Issue Start Date and CG Issue End Date is for the current FY. Then this record is rejected with message ‘Loan A/c is already received in this FY’ scheme id has been included |
| 3 | Collateral Security Amount:   * If Collateral Security Amount for specific ‘Loan Account Number’ AND ‘Customer ID’ AND ‘IT PAN’ mentioned in Continuity file is LESS THAN Partial Collateral Security Amount MI had uploaded during NEW CG Request for same record. * If Collateral security amount is GREATER than outstanding amount. |
| 8 | Date of Loan Closure:   * If ‘Loan Closed’ is N and Valid date is Provided * If ‘Loan Closed’ is Y and Valid date is provided such that the ‘Date of Loan Closure’ is NOT BETWEEN ‘New CG Guarantee issuance Start Date’ AND Current System Date (inclusive of current system date only). |
| 9 | Date of NPA: (Part A):   1. System will need to check if the NPA flag and NPA date information provided in ALL the update record for a given IT Pan are SAME. If NOT, then ALL these update records for that customer will be rejected. 2. NPA date provided by MI 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.   For this check Scheme id and VDF Registration Number has also been included. |
| 10 | Date of NPA: (Part B): Post part A check, system, gets immediate previous records NPA Flag 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 for:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **S. No.** | **Latest Record in Existing in Database for Given CG1** | | **Record In Input File**  ***(Any one of the NPA information is considered, since all the NPA information across the provided update information is/are common)*** | | | **NPA Flag** | **Date** | **NPA Flag** | **NPA Date** | | **1** | N | Null | N | NOT Null | | **2** | N | Valid date – D1 | Y | Null/Spaces | | **3** | N | Valid date – D1 | N | Null/Spaces | | **4** | N | Valid date – D1 | N | NOT Same as D1 | | **5** | N | Null | Y | * If the NPA date is a valid date, then, the NPA date provided in the update information is NOT between the ‘New CG File Uploaded date’ (i.e. Created Date of the file for New CG Request, in the system)and current system date (inclusive of current system date only) then reject. * If the NPA is NULL/SPACES then reject. | | **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 | Y | Null/Spaces | | **10** | Y | Valid date – D1 | N | Null/Spaces |   For this check Scheme id and VDF Registration Number has also been included. |
| 11 | The credit guarantee exists in system having its latest Current Status Code as:   * 30036 - Guarantee Issuance Provisional * 30011 - Guarantee(s) Not Issued * 30005 - Guarantee Close By MLI * 30018 - Guarantee Close By NCGTC * 30019 - Guarantee Invoked   For this check Scheme id and VDF Registration Number has also been included. |
| 12 | If MI fails to provide the continuity request for all the loan accounts (together in same file), for a given IT PAN, then, system rejects all the loan a/c. The CG’s which has status code as 30005 (Guarantee Close By MLI) and 30018 (Guarantee Close By NCGTC) is exempted for this consideration.  Example:  If for a IT PAN AAAAA1111A, there are 4 loan accounts with following details:   |  |  |  |  | | --- | --- | --- | --- | | IT Pan | Loan Account No. | Customer Id | Current Status Code | | AAAAA1111A | L1 | C1 | 30010 | | AAAAA1111A | L2 | C2 | 30005 | | AAAAA1111A | L3 | C3 | 30010 | | AAAAA1111A | L4 | C4 | 30010 |  * If MI does not send (or even if he sends) loan account L2 along with L1/L3/L4 then system accepts the loan information for further process. * If MI does not send (or even if he sends) loan account L1 along with L3/L4 then system rejects all the loan information for further process. |
| 13 | If there is an error in any of the loan accounts presented for continuity of a IT Pan and Customer ID and VDF Registration Number, then, all the associated accounts will be rejected. |
| 14 | Updated Pooled investment amount value:   * IS LESS THAN or EQUAL to ZERO. |

### **Calculate Credit Guarantee Fees**

For issuing the guarantee to 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 1.8.2.

For Continuity 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 Fees**

Since request for Continuity CG should occur within 30 days of financial year start .i.e. by 30th April, the calculation for fees for Continuity CG request would be from the start of Current Financial Year the end of Current Financial Year. It is based on Total pooled investment amount (i.e Total Funds allocated to startups) along with ‘Annual Guarantee Fee (%)’ configured in the ‘Scheme’ and it’s respective ‘Docket’ and the Risk Premium Value for that particular MI and the formulae is as below:

Guarantee Fee = Total pooled investment (Summation of Pooled Investment in startup value for all startup loan accounts) \* (Annual Guarantee Fee in Percent)

Risk Premium Fees = Guarantee Fees \* (Summation of Risk Premium parameter Values/100)

Total Guarantee Fees = Guarantee Fee + Risk Premium Fees

**Calculating the Credit Guarantee Fee:**

* CG Fee will be calculated on Total Pooled Investment (Summation of Pooled Investment in startup value for all startup loan accounts)**(i.e On the Total Fund allocated to Startups)**
* CG Fees should be rounded off to the **higher rupee**.

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

### **Calculation based on GST**

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

**If the state of MI 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)

|  |  |
| --- | --- |
| **Credit Guarantee scheme for startups Parameters** |  |
| Annual Guarantee Fee (%) | 0.15% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 10,00,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 0.1 |
| Total Pooled Investment (Summation of Updated Pooled Investment in startup value for all startup loan accounts from Current Continuity file) | 3,00,00,000.00 |
| NPA Percentage Risk Premium | 20% |
| Claim Payout Percentage Risk Premium | 10% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MI uploads and approves the input file on SURGE system on 10th Feb 2022. This input file contains startup loan details which means charge CG Fees full current FY. Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) values are as below:

|  |  |
| --- | --- |
| Total Pooled Investment (Summation of Updated Pooled Investment in startup value for all startup loan accounts from Current Continuity file) | 3,00,00,000.00 |

Guarantee Fee calculation will be based on Total Pooled Investment.

Guarantee Fee = 30000000.00 \* (0.15%) = 45000.00

Risk Premium Fee = 45000.00 \* 30% = 13500.00

Total Guarantee Fee INR = 45000.00 + 13500.00 = 58500.00

Taxation on INR 58500.00/- is determined as below:

1. SGST Tax on this Fee @9% is 58500.00\*9% = INR 5265.00/-
2. CGST Tax on this Fee @9% is 58500.00\*9% = INR 5265.00/-

Total Tax is summation of CGST and SGST = 5265.00 + 5265.00 = INR 10530.00/-

**If the state of MI 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)

|  |  |
| --- | --- |
| **Credit Guarantee scheme for startups Parameters** |  |
| Annual Guarantee Fee (%) | 2% |
| Maximum Limit to Guarantee Issuance Allowed (INR) | 10,00,00,000.00 |
| Minimum Limit to Guarantee Issuance Allowed (INR) | 0.1 |
| Total Pooled Investment (Summation of Updated Pooled Investment in startup value for all startup loan accounts from Current Continuity file) | 3,00,00,000.00 |
| NPA Percentage Risk Premium | 20% |
| Claim Payout Percentage Risk Premium | 10% |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

MI uploads and approves the input file on SURGE system on 10th Feb 2022. This input file contains startup loan details which means charge CG Fees full current FY. Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) values are as below:

|  |  |
| --- | --- |
| Total Pooled Investment (Summation of Updated Pooled Investment in startup value for all startup loan accounts from Current Continuity file) | 3,00,00,000.00 |

Guarantee Fee calculation will be based on Total Pooled Investment

Guarantee Fee calculation will be based on Total Pooled Investment.

Guarantee Fee = 30000000.00 \* (0.15%) = 45000.00

Risk Premium Fee = 45000.00 \* 30% = 13500.00

Total Guarantee Fee INR = 45000.00 + 13500.00 = 58500.00

Taxation on INR 58500.00/- is determined as below:

1. IGST Tax on this Fee @18% is 58500.00 \*18% = INR 10530.00/-

Total Tax, IGST = INR 10530.00/-

### **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 – At IT Pan**

The demand for CG Charges is raised to MI by generating CGDAN. Refer section 1.5.5.1 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 ‘Guarantee Issuance Provisional’.
* Previous CG Status – 30036 ‘Guarantee Issuance Provisional’.

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

### **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:

30010 – ‘Guarantee(s) In Force’

30036 – ‘Guarantee Issuance Provisional’

30020 – ‘NPA Guarantee(s) In Force’

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Record Details In Input File for Loan Account in Consideration** | **State of Latest Record in SURGE for Corresponding Loan Account’s CG** | **Status 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 |
| 9 | Loan Account is Closed | Current State – 30010 OR  Current State – 30020 | Current State – 30005  Previous State – 30036 |
| 10 | Loan Account is NPA & Closed | Current State – 30010 OR  Current State – 30020 | 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)

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.

## **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 MI is saved in the table along with Credit Guarantee status as (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
* Current Status – 30010 – Guarantees in Force.
* Previous Status – 30036 – Provisional Guarantees In Force.
* Guarantee Start Date – From Registered VDF Guarantees Start Date.
* Guarantee End Date – From Registered VDF Guarantees End Date.

### **Continue Credit Guarantee Information**

The 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 MI 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.

## **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.

Prepared by Mastek Ltd. For National Credit Guarantee Trustee Company Ltd.

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