Abstract

This document summarizes functional needs of claims and recoveries that can be conducted on issued Credit Guarantee Scheme for Startups.   
Intention is to collate & track functional specifications of underlying business processes for Startups guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Claims & Recoveries for Credit Guarantees schemes for Startups – Umbrella Based

**Document Version History**

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**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
| --- | --- | --- |
| S. No. | Term | Description |
| 1 | A/c | Account or Account No. – a common written abbreviation for account in context of Banking/Financials |
| 2 | AID | Amount in Default |
| 3 | BRD | Business requirement Document. These documents capture NCGTC’s process/functional/operational needs for software solution development. |
| 4 | CGSSU | Credit Guarantee Scheme for Startups Umbrella Based – A notified scheme for Startups. |
| 5 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 6 | eGOV | Electronic governance. |
| 7 | IP | Internet Protocol |
| 8 | LPD | Locking Period Date |
| 9 | MI | Member Institution. These will be Scheduled Commercial banks and FIs, RBI registered NBFCs with Ratings BBB and above and having minimum Net worth of 100 Cr. |
| 10 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 11 | NEFT | National Electronic Funds Transfer (NEFT) is a nation-wide payment system. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme. NEFT transactions are settled in batches. |
| 12 | NPA | Non-Performing Asset |
| 13 | O/S | Outstanding Standing, usually amount which is awaiting action/payment. |
| 14 | RTGS | 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. |
| 15 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process. SURGE – System for Underwriting, Reassurance & Guarantee Endorsement |
| 16 | UTR No. | Unique Transaction Reference number) is a unique reference code that is attached to every transfer sent to India. |
| 17 | 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. |
| 18 | OTF | One Time fees before ‘Full and Final claims’ invocation and settlement. |
| 19 | VDF | Venture Debt Funds |

## **Introduction**

For purpose of startups loans, NCGTC has designed a credit guarantee product known as Credit Guarantee Scheme for Startups – Umbrella Based (CGSSU).

Claims under this guarantee scheme for each CG will be handled in one steps: As a ‘Full and Final Claim’ to obtain 100% of cover amount. As a part of the scheme, MI’s need to pass the NCGTC’s share pf recovered losses from its borrower to NCGTC after settlement of final claims. Before invoking ‘Full and Final Claim’, MI needs to pay One Time Guarantee fees to NCGTC without which MI’s will not be able to lodge claims in system.

To invoke CG (i.e. to lodge claim for the issued CG), MI needs to extract required details of their NPA loan account in XML file and upload it on SURGE (called as full and final claim requisition input file). A separate input file for recoveries of their losses in form of a separate input file (called as loss recoveries information input file). These files will need to be uploaded on the SURGE platform. In essence invoking final claims and providing recoveries information is an operation to be performed only in Batch Mode.

This document is divided in two predominant sections –

1. One time fees before claims lodgment (OTF) – To enable claims, MI need to pay 1% fees.
2. Invoking Claims – Enables MI’s to lodge ‘Full and Final Claim’ for issued CG’s
3. Post Claim Recoveries – Enables MI’s to pass on losses recovered from their respective borrowers. Recoveries passed to NCGTC are in accordance to the scheme rules.

The above three sections forms part of the entire claim settlement processes under this scheme.

## **One Time Fees before lodging Claims – OTF**

Once MI is sure of their asset losses and needs to claim the guarantee cover from NCGTC, they need to pay one time fees before lodging claims. This section elaborates the requirements and broad level flows for this process.

### **OTF initiation process**

### **OTF calculation**

As per gazette for CGSSU, before lodging claims MI needs to pay onetime fee to NCGTC.

For One Time Fees, the Charges includes– Fees and Taxes.

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

### **Calculating One Time Fee**

The calculation of OTF depends upon latest total pooled investment amount in startup provided by MI in their latest continuity file. One time fees before claims (%) configured in the ‘Scheme’ and its respective docket and the formulae is as below:

One Time Fee = Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) \* (One Time Fees before claims in Percent)

*Scenario:*

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| One Time Fees before Claim lodgment (%) | 1% |
| Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |

OTF calculation will be based on Latest Total Fund Allocated for Startup.

OTF= 1000000000.00\* (1%) = 10000000.00

Total OTF INR = 10000000.00

**Calculating the Credit Guarantee Fee:**

* One Time Fees will be calculated on Latest Total Fund Allocated for Startup .i.e. Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds)

### **Calculating Tax on OTF**

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 OTF = (One Time Fee \* CGST Rate Defined in SURGE) + (One Time Fee \* SGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| OTF (%) | 1% |
| Latest Total Fund Allocated for Startup | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

One Time Fees calculation will be based on Latest Total Fund Allocated for Startup.

OTF = 1000000000.00\* (1%) = 10000000.00

Total OTF INR = 10000000.00

Taxation on INR 10000000.00/- is determined as below:

1. SGST Tax on this Fee @9% is 10000000.00\*9% = INR 900000.00/-
2. CGST Tax on this Fee @9% is 10000000.00\*9% = INR 900000.00/-

Total Tax is summation of CGST and SGST = 900000.00 + 900000.00 = INR 1800000.00/-

**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 OTF = (OTF \* IGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| OTF (%) | 1% |
| Latest Total Fund Allocated for Startup | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

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

OTF = 1000000000.00\* (1%) = 10000000.00

Total OTF INR = 10000000.00

Taxation on INR 10000000.00/- is determined as below:

1. IGST Tax on this Fee @18% is 10000000.00\*18% = INR 1800000.00/-

Total Tax, IGST = INR 1800000.00/-

### **BATCHDAN – Demand Advice: One Time Fees**

A unique demand advice number called as ‘BATCHDAN’ is allotted to the One Time Fees charged to registered VDF’S who want to lodge claims and the format as below:

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

### **OTF payment flow**

OTF payment flow will follow similar flow as of Credit guarantees fees.

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

## **Invoking ‘Full and Final Claims’**

Once MI is sure of their asset losses and needs to claim the guarantee cover from NCGTC, they need to lodge the claims for such CG’s. This section elaborates the requirements and broad level flows for this envisaged process.

### **Input File Layout**

* For requisition of Full & Final Claim, refer the spreadsheet – Startup Umbrella Based Schemes - New Continuity Claims and Recovery Input File Layout. For the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable refer Startup Scheme - Umbrella Based - Sample XML Layout for Invoking Full & Final Claim.xml.

### **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** process files received in any other formats than those listed above.

Refer the XML format in the file - Startup Scheme - Umbrella Based - Sample XML Layout for Invoking Full & Final Claim.xml.

### **Preparation of Input File**

To invoke a Full & Final claim on the CG - MI needs to initiate this claim by providing Claim Requisition input file for Startup Scheme and approve it (along with acceptance to the terms & conditions of Management certificate). It is to be noted that MI can provide claim for a single CG or group of CG’s in this input file.

The purpose of this file is, to Invoke Claims for such CG’s such that the associated loan account of the CG is in state of NPA for the prescribed duration as per the scheme notification and MI wants to invoke the guarantee for this account.

### **Request for Claim**

As a part of MI’s investment business at their end, their sanctioned and disbursed Loan account to the borrower under the startup Scheme *may* become NPA. If such CG assets remain in the state of NPA with very little chance of such loan accounts re-categorizing as Standard Asset, then, MI may invoke the associated CG.

As a part of this scheme and claim process, MI’s needs to send the requisite information of their loan accounts (having corresponding CG) to NCGTC in following steps:

1. MI extracts the loan information for all such loan accounts & Customer ID & IT Pan, which are now NPA and eligible for claims.
2. Note that the data needs to be send to SURGE only for those loan accounts & Customer ID & IT Pan which qualifies for claims as per scheme notification and not otherwise.
3. MI needs to send the information in a file, called as ‘Startup Scheme - Umbrella Based - Sample XML Layout for Invoking Full & Final Claim’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.2.2
4. Upload this file on the NCGTC system in *‘Non Approved’* state by MI user account and against a ‘CGSSU Scheme’.
5. Till the specified period (as specified in CGSSU scheme) MI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MI’s to append, edit and delete the information for claim of the issued CG’s multiple times and in *‘Non Approved’* state.
6. Final submission of the ‘Approved’ input file is effective only when MI accepts to the ‘Management certificate - Terms & Conditions’. On acceptance to the terms of Management Certificate – system sends the input file for approval to NCGTC user.
7. After final verification of the input file by MI approver user account (created by their own MI Administrator), AND NCGTC user the state of the input file is changed as *‘Approved’* state.
8. Approved state of input file also means that the claims is under consideration in SURGE.

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

Note: MI’s are expected to perform these steps in stipulated time specified for CGSSU scheme.

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**

SURGE performs the following checks on each MI Loan Accounts data to ascertain their eligibility for invoking claims and the record is *REJECTED* if:

1. The ‘VDF Registration number’ AND ‘MI’ AND ‘Loan Account Number’ AND ‘Customer Id’ and ‘IT Pan’ specified DOES NOT EXISTs in SURGE System Database. *(If MI’s* ‘Loan Account Number’ AND ‘Customer Id’ and ‘IT Pan’ and ‘VDF Registration Number’ *does not exists in the system with a match for unique guarantee number (CGPAN), than – this loan account is rejected).*
2. 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).
3. The credit guarantee exists in system and has one of the following CG Current Status:
   1. 30036 – ‘Guarantee Issuance Provisional’
   2. 30005 – ‘Guarantee Close By MI’
   3. 30010 – ‘Guarantee(s) In Force’
   4. 30011 – ‘Guarantee(s) Not Issued’
   5. 30018 – ‘Guarantee Close By NCGTC’
   6. 30019 – ‘Guarantee Invoked’
4. The ‘VDF Registration number’ AND ‘Loan Account Number’ AND ‘Customer Id’ and ‘IT Pan’ should NOT have ‘Claimed’ Status (in process or settled state).
5. The Total Outstanding Loan Amount dues as on Date of NPA IS ZERO or LESS THAN ZERO
6. The Total Outstanding Loan Amount dues as on Date of Claim Lodgment is ZERO or LESS THAN ZERO
7. The Total Outstanding Loan Amount dues as on Date of NPA IS LESS THAN Total Outstanding Loan Amount dues as on Date of Claim Lodgment.
8. Actual Loss value is EQUAL TO or LESS THAN zero.
9. For the claimed CG record whose current system date is:
   1. EARLIER AND EQUAL TO Claim Lodgment Period Start Date

Claim Lodgment Period Start Date is determined as below:

1. The Claim Lodgment Period Start Date is determined as below:
   * 1. Date of CG issued Start Date (of the NEW CG Request i.e. File Type 1). To this date Life of VDF (in Years) data is added and the Claim Lodgment Period Start Date is determined.
2. If for registered VDF, One Time Fees before claim lodgment is not approved and paid in full to NCGTC.
3. If Certificate of Statutory Auditor is ‘No’.
4. If Recovery Proceedings Started is ‘No’.

### **Marking the CG as Claimed**

Once the above eligibility checks are complete and NCGTC users approved the claim requisition file, system marks the CG record as ‘claimed’. There by indicating that the claim for the specific CG is initiated and processed.

Identifying and marking the claims in SURGE is a two-way process:

* The respective CG in CG table is marked as ‘claimed’ along with the claim lodged date. *Claim lodged date is the date when MI Approver approves the input claim file.* Refer section 1.2.5.1 below for more details.
* An entry with relevant details is created in separate Claim tables. Refer section 1.2.5.2 below for more details.

### **Marking the CG as Claimed in CG Table**

On approval of the claim requisition file from MI and from NCGTC, system will proceed to mark the CG record as ‘Claimed’ as stated below:

SURGE inserts the following transaction with following values in CG table:

* File Type - 4
* Transaction Mode – 120001 (which indicates that this is a batch transaction)
* Loan A/c No. – Loan Account mentioned in the Input file
* Customer Id – Customer ID mentioned in Input file
* IT Pan – IT Pan mentioned in Input file
* MI ID - Same as the Original Master Record
* Schemes Id - Same as the Original Master Record
* CGPAN - Same as the Original Master Record
* CG Current State – 30019
* CG Previous State - 30020
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – MI user id
* Created Date – Date Time of Record insertion

### **Making entry in Claims Table**

After making an entry in CG table (if required), system will make an entry in claims table for:

* Claim Type
* Loan Account No.
* Customer Id – Customer ID mentioned in Input file
* IT Pan – IT Pan mentioned in Input file
* Total Outstanding Loan Amount dues as on Date of NPA
* Total Outstanding Loan Amount dues as on Date of Claim Lodgment
* Recovery Proceedings Certificate from Statutory Auditor
* One Time Fees paid
* Recovery Proceedings initiated.
* Recovery Proceedings lodged.

The above details are stored with respect to Batch Identification of the claims file.

### **Flow for Processing Claims**

Once the claim requisition file is uploaded in SURGE, the claims amount gets calculated as specified in section 1.2.7.

Processing of the claims will entail following events:

* Calculation of claims as per scheme notification
* Send to Approve or Reject – by NCGTC Creator
* Approving the claim by NCGTC approver
* Rejecting the claim by NCGTC approver
* Settling the claim

Each of above is explained below.

MI Approves the Claim

(NCGTC Creator)

Investigate/Due Diligence

Send to Approve

(By NCGTC Creator)

N

Y

Claim Approval

Reject Claim

(By NCGTC Approver)

Approve Claim

(By NCGTC Approver)

Claim Settlement

Rejects the Claim

(By NCGTC Creator)

The Claim file and claim is rejected.

MI will need to rectify and upload a fresh claim

### **Approving the Claims**

Once the claims are received at NCGTC User (approver), he can either ‘Approve’ or ‘Reject’ the claims.

Rejecting/Approving the claims will need reason/remarks.

NCGTC Approver can take claims for further processing from the ‘Approve’ State by sending it for ‘Settle Claim’ (to NCGTC Creator).

NCGTC Approver can also reject the claim, which will reject the claim file and claim calculation thereby making the MI to re-upload fresh claim request.

### **Payment of Claim Payout to MI (Claim Settlement)**

Once NCGTC Approver approves the claims, NCGTC Creator can settle the claims. Settling the claims in actual is a making the RTGS/NEFT pay out to MI. The payout activity is out of SURGE scope boundary.

However, as a part of the ‘settle claims’ functionality, NCGTC creator need to specify the RTGS/NEFT reference number and date of payout.

Refer the BRD – Payment Mechanism for further reference.

### **Rejecting the Claims**

NCGTC Approver may reject the claims. Along with the reason/remarks for rejections.

Rejecting claims will bring the affected loan a/c or the CG in state before to claim state (i.e. NPA Guarantee in Force). *Note that this does not have any change to the billing status, billed amount and flags related to billing.* Rejection will allow MI to put in the claim again.

### **Claim Calculations – Full & Final Claim**

To understand the claim calculations, refer to the scenarios mentioned here.

Claim Calculation is based on the Total Pooled Investment (Summation of Outstanding loan Amount of all eligible startups date uploaded in Latest Continuity file) and Actual Loss incurred data uploaded in claim file by MI. Check below table for calculation

|  |  |  |
| --- | --- | --- |
| **Full & Final Claim** | | |
|  | During Claim Lodgment |  |
| **AA** | Total Fund Raised | 5,000,000,000.00 |
| **BB** | Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) | 1,000,000,000.00 |
| **CC** | Actual Loss Incurred | 600,000,000.00 |
| **DD** | 5% of proposed Pooled Investment .i.e. 5% of BB | 50,000,000.00 |
| **DD** | Eligible Claim .i.e. Compare CC and DD whichever is lower | 50,000,000.00 |
|  | **Full & Final Claim Settled** | **50,000,000.00** |

*Note: if the Eligible Full & Final claim works out as less than zeroes, then, it is considered and settled as zeroes.*

**Important Note:**

1. System will calculate claims – after the claim file is processed (i.e. approved by NCGTC approver)
2. Once NCGTC approver approves claim, the same will be available for ‘View’ to NCGTC and MI users.

## **Notifying Recoveries (Post Claim)**

Once Full and Final claim has been invoked (and the same has been approved and settled by NCGTC), MI can notify and provide recoveries to such invoked CG’s. This section elaborates the requirements and broad level flows for this envisaged process.

Note: MI’s need to notify their recoveries for each loan account and make payment of such recoveries. Else, such recoveries are not considered as valid recoveries for any further process.

### **Input File Layout**

For notifying the recoveries and providing payments, refer the spread sheet – Startup Umbrella Based Schemes - New Continuity Claims and Recovery Input File Layout.xlsx 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** process files received in any other formats than those listed above.

Refer the XML format in the file - Startup Scheme - Umbrella Based - Sample XML Layout for Recovery CG Request.xml for the layout of the XML input file.

### **Preparation of Input File**

Once MI has invoked and settled claim of a specific Loan Account, the recoveries (if any) for the same CG/Loan Account can be notified and recovery amount passed on to NCGTC.

It’s important to note that –

* MI’s need to provide the recovery information for each loan account and also make payment of the recoveries to NCGTC within stipulated time as notified in the scheme gazette.

### **Notifying Recoveries**

Once claim is invoked for a given loan account, and settled by NCGTC, MI’s can provide the recovery information of those loan accounts for which recovery has been done and which needs to be passed on to NCGTC as a per the scheme gazette notification.

As a part of this this process, MI’s are advised to send the requisite information of their loan accounts (for whom the guarantees has been provided) to NCGTC in following steps:

1. MI needs to extract the recovery information for all such loan accounts which are already claimed and the claims has been approved and settled by NCGTC. Refer Section 1.3.5 on the details of recovery proceedings type which MI needs to extract from its own IT System.
2. MI needs to send the information in a file, called as ‘Startup Scheme - Umbrella Based - Sample XML Layout for Recovery CG Request’. Information to be extracted in the layout mentioned in the section 1.3.1 and in the format mentioned in section 1.3.2
3. Upload this file on the NCGTC system in *‘Non Approved’* state by MI user account. The file needs to be uploaded against CGSSU scheme.
4. Till the specified period (as specified by gazette) MI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MI’s to append, edit and delete the information for claim of the issued CG’s multiple times and in *‘Non Approved’* state.
5. Final submission of the ‘Approved’ input file would be effective once MI accepts to the ‘Management certificate - Terms & Conditions’. Post MI’s approval – the input file is sent for NCGTC Creator approval.
6. After final verification of the input file by MI approver user account (created by their own MI Administrator), and NCGTC user the state of the input file is changed as *‘Approved’* state. *This approval will be AUTO in nature (which means system will automatically approve this input file on behalf of NCGTC)*
7. Approved state of input file also means that the recovery information has been considered in SURGE, but in provisional state only. MI needs to provide payment for this file/recoveries.

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

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

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**

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

1. The ‘VDF Registration Number’ AND ‘MI’ AND ‘Loan Account Number’ and ‘Customer ID’ and ‘IT Pan’ specified DOES NOT EXISTs in SURGE System Database.
2. Records in same input file presented by MI has repeated/same Loan Account Number and and ‘Customer ID’ and ‘IT Pan’ and ‘VDF Registration 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 ‘VDF Registration Number’ and ‘loan account’ and ‘Customer ID’ and ‘IT Pan’ exists in system, but NOT in Claim settled State (i.e. 30019)[[1]](#footnote-1)
4. The recoveries amount is LESS THAN ZERO
5. Date of Recovery is:
   1. Later to Current System Date
   2. Before First Claim lodgment Date
   3. Not of Previous Quarter
6. The first claim payout has NOT been paid by NCGTC

### **Treatment to Notified Recoveries**

As specified in the scheme notification - the recoveries that MI secures from its borrowers, needs to be provided to NCGTC. Such recoveries provided to NCGTC has a subtle difference depending on the period when it is being provided to NCGTC:

1. If a recovery for a particular CG is being provided after the settlement of full & final claim, then:
   1. MI needs to provide the NCGTC’s share from the entire recovery proceedings (recovered from the borrower) for the specific loan a/c or CG in consideration.

In consideration to the above points with respect to recoveries, MI will need to maintain identifiers against each CG in their CBS/IT system to pass only the NCGTC share.

### **Allotting Recovery Unique Identifiers – Recovery Id**

For the eligible recovery records, system allocates a unique identification number, called as Recovery Id. This recovery id is allotted to the input file (or the batch) and to each recovery transaction (at each CG/Account level).

### **Allotting Batch Recovery Unique Identifier – Batch Recovery Id**

This unique identifies is at the batch level, called as Batch Recovery Id – which is a unique identification allotted to the notified batch of recoveries, for traceability and management of recoveries in SURGE system.

Batch Recovery Id follows a specific format for this scheme:

### **Allotting CG/Account Recovery Unique Identifier – Account Recovery Id**

This unique identifies is at the account level, called as Account Recovery Id – which is a unique identification allotted to the notified batch of recoveries, for traceability and management of recoveries in SURGE system.

Account Recovery Id follows a specific format for this scheme:

### **Payment from MI for Notified Recoveries**

MI will need to make the payment of the recoveries (total recoveries) against the recovery file uploaded by him and approved by NCGTC Approver.

Note that MI will need to make the payment of the recoveries using RTGS/NEFT facility and provide the UTR/reference number in SURGE.

Refer the BRD – Payment Mechanism for further reference.

### **Penalty Calculation on Recovery Proceedings from MI**

The recovery proceedings provided by MI for each corresponding CG (as specified in section 1.3.5) – will have penal charge consideration as well. This consideration is undertaken by system at the time when MI makes payment of the recovery proceedings in full (he may do the payment of the recoveries at one go or in tranches) and when these are reconciled by NCGTC Accounts Dept. System will calculate the following (against each loan a/c). However, penalty would be charged if MI have not passed recovery amount to NCGTC within 30 days of subsequent quarter.

System considers:

1. Date when MI deposits the final amount which makes the total recoveries as paid (this date is specified in input recovery xml file)
2. Eligible days for penalty – 30 of Subsequent Quarter.
3. Penalty calculated [It will be simple interest based on the notified recovery (as P), Eligible days for penalty (as N), Penalty Rate for delayed Recovery (as R). Thus the formula used will be – P\*N\*R/365]

Here P = NCGTC Share. Penalty needs to be charged on recovery amount.

This is explained in the following possible scenarios. For all the below scenarios, following values needs to be considered:

|  |  |
| --- | --- |
| Recovery file is uploaded by MI | Apr-21 |
| Rate of Penalty | 4% |
| DATE when the last Tranch for full recovery payment is received and Reconciled by NCGTC Accounts Department | 25-Apr-21 |
| No of Days after which system will charge penalty of subsequent quarter. | 30 days |

1. **Scenario 1:** 
   * **No Penalty situation**
   * **For Loan A/c whose Final claim has Lodged and Settled – MI Provides only the NCGTC Share**
   * **For Loan A/c whose Final claim has NOT being Lodged and Settled – MI Provides entire recovery proceedings**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **A/c No.** | **Final Claim Settled** | **Date of Recovery (From Borrower to MI)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)**  **‘A’** | **DATE when the last tranche for full recovery payment is received** | **Days Elapsed (CSD - CSD Quarter Start Date)** | **Eligible Days For Penalty** | **Penalty Calculated**  **‘B’** | **Tax on Penalty (18 % Penalty)**  **‘C’** | **Recovery Proceedings for Cases - Post Final Claim (A+B+C) along with Penalty/Taxes** | **Adjust at The Time of Final Claim** |
| **(A+B+C) along with Penalty/Taxes** |
| L1 | Y | 4-Feb-21 | 7,500.00 | 25-Apr-21 | 25 | 0 | - | - | 7,500.00 | - |
| L2 | - | 5-Feb-21 | 5,000.00 | 25-Apr-21 | 25 | 0 | - | - | - | 5000 |
| L3 | - | 10-Feb-21 | 20,000.00 | 25-Apr-21 | 25 | 0 | - | - | - | 20000 |
| L4 | Y | 10-Feb-21 | 18,750.00 | 25-Apr-21 | 25 | 0 | - | - | 18,750.00 | - |
| L5 | - | 12-Feb-21 | 4,500.00 | 25-Apr-21 | 25 | 0 | - | - | - | 4500 |
| L6 | - | 12-Feb-21 | 6,000.00 | 25-Apr-21 | 25 | 0 | - | - | - | 6000 |
| L7 | - | 28-Jan-21 | 7,950.50 | 25-Apr-21 | 25 | 0 | - | - | - | 7950.5 |
| L8 | Y | 27-Jan-21 | 11,253.75 | 25-Apr-21 | 25 | 0 | - | - | 11,253.75 | - |
| L9 | Y | 27-Jan-21 | 17,587.50 | 25-Apr-21 | 25 | 0 | - | - | 17,587.50 | - |
| L10 | - | 27-Jan-21 | 24,578.00 | 25-Apr-21 | 25 | 0 | - | - | - | 24578 |
|  |  |  | **123,119.75** |  |  |  |  |  | **55,091.25** | **68028.5** |

**Note:**

1. Amount of INR 68,028.50/- is adjusted in Final claim settlement.
2. Amount of INR 55,091.25/- is recovered from MI
3. In this case since there is no penalty, there is no need for any additional recoveries from MI
4. **Scenario 2:** 
   * **Penalty situation**
   * **For Loan A/c whose Final claim has Lodged and Settled – MI Provides only the NCGTC Share**
   * **For Loan A/c whose Final claim has NOT being Lodged and Settled – MI Provides entire recovery proceedings**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **A** |  |  |  | **B** | **C** |  |  |
| **A/c No.** | **Final Claim Settled** | **Date of Recovery (From Borrower to MI)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last tranche for full recovery payment is received** | **Days Elapsed (CSD - CSD Quarter Start Date)** | **Eligible Days For Penalty (Days Elapsed - 30 days)** | **Penalty Calculated** | **Tax on Penalty (@18% on Penalty)** | **Recovery Proceedings for Cases - Post Final Claim (A+B+C) along with Penalty/Taxes** | **Adjust at The Time of Final Claim** |
| **(A+B+C) along with Penalty/Taxes** |
| L1 | Y | 4-Feb-21 | 7,500.00 | 25-May-21 | 55 | 25 | 20.55 | 3.7 | 7,524.25 | - |
| L2 | - | 5-Feb-21 | 5,000.00 | 25-May-21 | 55 | 25 | 13.70 | 2.47 |  | 5,016.17 |
| L3 | - | 10-Feb-21 | 20,000.00 | 25-May-21 | 55 | 25 | 54.79 | 9.86 |  | 20,064.65 |
| L4 | Y | 10-Feb-21 | 18,750.00 | 25-May-21 | 55 | 25 | 51.37 | 9.25 | 18,810.62 |  |
| L5 | - | 12-Feb-21 | 4,500.00 | 25-May-21 | 55 | 25 | 12.33 | 2.22 |  | 4,514.55 |
| L6 | - | 12-Feb-21 | 6,000.00 | 25-May-21 | 55 | 25 | 16.44 | 2.96 |  | 6,019.40 |
| L7 | - | 28-Jan-21 | 6,925.00 | 25-May-21 | 55 | 25 | 18.97 | 3.42 |  | 6,947.39 |
| L8 | Y | 27-Jan-21 | 11,474.25 | 25-May-21 | 55 | 25 | 31.44 | 5.66 | 11,511.35 |  |
| L9 | Y | 27-Jan-21 | 17,572.50 | 25-May-21 | 55 | 25 | 48.14 | 8.67 | 17,629.31 |  |
| L10 | - | 27-Jan-21 | 24,578.00 | 25-May-21 | 55 | 25 | 67.34 | 12.12 |  | 24,657.46 |
|  |  |  | **122,299.75** |  |  |  |  |  | **55,475.53** | **67,219.62** |

**Note:**

1. Amount of INR 67,219.62/- is adjusted in Final claim settlement.
2. Amount of INR 55,475.53/- is recovered from MI
3. In this case since there is penalty, and hence a need for additional recoveries from MI which is about INR 395.40/-

### **Payment from MI for System Generated Recoveries**

MI will need to make the payment of the recoveries against the system generated recovery.

Note that MI will need to make the payment of the recoveries using RTGS/NEFT facility and provide the UTR/reference number in SURGE.

Refer the BRD – Payment Mechanism for further reference.

## **One Time Fees before Closure of VDF – OTF**

Once MI is sure they want to close their registered VDF with NCGTC, they need to pay one time fees before closing any registered VDF. Only those registered VDF can be closed who have not invoked and settled claims with NCGTC. This section elaborates the requirements and broad level flows for this process.

### **OTF before Closure of VDF initiation process**

### **OTF calculation before Closure of VDF**

As per gazette for CGSSU, before closing any VDF MI needs to pay onetime fee to NCGTC and it has to be paid within 30 days to NCGTC.

For One Time Fees before closure of VDF, the Charges includes– Fees and Taxes.

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

### **Calculating One Time Fee before Closure of VDF**

The calculation of OTF depends upon Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) provided by MI in their latest continuity file. One time fees before closure of VDF (%) configured in the ‘Scheme’ and its respective docket and the formulae is as below:

One Time Fee = Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) \* (One Time Fees before closure of VDF in Percent)

*Scenario:*

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| One Time Fees before Closure of VDF (%) | 0.25% |
| Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |

OTF calculation will be based on Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds).

OTF= 1000000000.00\* (0.25%) = 2500000.00

Total OTF INR = 2500000.00

**Calculating the Credit Guarantee Fee:**

* One Time Fees will be calculated on Total Fund Allocated for Startup .i.e. Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds)

### **Calculating Tax on OTF**

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 One Time Fee before closure of VDF = (One Time Fee before closure of VDF \* CGST Rate Defined in SURGE) + (One Time Fee before closure of VDF \* SGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| One Time Fee before closure of VDF (%) | 0.25% |
| Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds) | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

One Time Fee before closure of VDF calculation will be based on Total Pooled Investment (Initial Investment in startup at the time of VDF registration & Funds).

OTF = 1000000000.00\* (0.25%) = 2500000.00

Total OTF INR = 2500000.00

Taxation on INR 2500000.00/- is determined as below:

1. SGST Tax on this Fee @9% is 2500000.00\*9% = INR 225000.00/-
2. CGST Tax on this Fee @9% is 2500000.00\*9% = INR 225000.00/-

Total Tax is summation of CGST and SGST = 225000.00 + 225000.00 = INR 450000.00/-

**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 One Time Fee before closure of VDF= (OTF \* IGST Rate Defined in SURGE)

|  |  |
| --- | --- |
| **Startup Loan Scheme Parameters** |  |
| One Time Fee before closure of VDF (%) | 1% |
| Latest Total Fund Allocated for Startup | 1,000,000,000.00 |
| Total Fund Raised | 5,000,000,000.00 |
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

One Time Fee before closure of VDF calculation will be based on Total Fund Allocated for Startup.

OTF = 1000000000.00\* (0.25%) = 2500000.00

Total OTF INR = 2500000.00

Taxation on INR 2500000.00/- is determined as below:

1. IGST Tax on this Fee @18% is 2500000.00\*18% = INR 450000.00/-

Total Tax, IGST = INR 450000.00/-

### **BATCHDAN – Demand Advice: One Time Fees**

A unique demand advice number called as ‘BATCHDAN’ is allotted to the One Time Fees charged to registered VDF’S who want to lodge claims and the format as below:

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

Note: For all One time Fees, Batchdan would be generated in similar format.

### **OTF payment flow**

OTF payment flow will follow similar flow as of Credit guarantees fees.

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

**Points Pending for Further Clarification**

Following points will need clarification from NCGTC:

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

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

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1. Post Claim Recoveries will be available after full & final claim settlement also. Thus No Rejection for such situation. [↑](#footnote-ref-1)