cgtmse

Ref. No. CGTMSE /Circular/83 June 15, 2026

Member Lending Institutions (MLIs) of CGTMSE (CGS – I & II)

Circular No. 262/ 2026 – 27

Madam / Dear Sir,

Special Provision for credit facilities on TReDS
under Credit Guarantee Scheme

In order to address the issue of delayed payments and facilitate timely access to working capital for Micro and Small Enterprises (MSEs), CGTMSE has introduced a Special Provision for Credit Facilities on Trade Receivables Discounting System (TReDS) under the Credit Guarantee Scheme. This initiative will empower MSE sellers by realising their unpaid sales invoices into instant liquid cash, eliminating the delays caused by lengthy buyer payment cycles.

The Trust shall cover Factoring Units (FUs) discounted by MLIs on the TReDS platforms in respect of MSE Buyer and Seller only. Both the Seller and Buyer should be classified as Micro or Small Enterprises (MSEs) as defined under the MSMED Act, 2006.

Guarantee coverage shall be available only where the MSE Buyer is not overdue on any of the TReDS platforms as on the date of discounting of the Factoring Unit.

The detailed Scheme Guidelines, including eligibility criteria, guarantee coverage, fee structure, operational process, claim settlement mechanism, recovery provisions and other related operational instructions, are enclosed as ***Annexure*** to this Circular. All other terms and conditions of the CGS -I and CGS – II shall be applicable mutatis mutandis to Banks and NBFCs respectively under the Special Provision.

The contents of this Circular may please be brought to the notice of all your offices.

Yours faithfully,
Sd/-
(Dhiraj Kumar)
Deputy General Manager

सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट (भारत सरकार एवं सिडबी द्वारा स्थापित)
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Credit Guarantee Fund Trust for Micro and Small Enterprises (Set up by Government of India & SIDBI)
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Annexure

Special Provision for credit facilities on TReDS
<u>under Credit Guarantee Scheme</u>

<u>Guidelines</u>

1. <u>Eligibility Criteria</u>
   - The credit facilities without collateral security and third-party guarantee/s will only be eligible for coverage under the Special provision.
   - The Seller and Buyer must fall under the Micro and Small Enterprise (MSE) category as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act).
   - Member Lending Institutions (MLIs) registered with Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and participating on TReDS platform shall be eligible for guarantee coverage.
   - Other Financiers registered on TReDS Platform will be made eligible for coverage under the Special Provision on a case-to-case basis subject to meeting the eligibility criteria as may be decided by the Trust from time to time. The registration criteria for becoming Member Lending Institution (MLI) of CGTMSE for Banks and NBFCs will be as per the extant guidelines of CGS – I and CGS-II respectively.
   - The Trust shall cover Factoring Units (FUs) discounted by MLIs on the TReDS platforms. The guarantee shall be made available for both factoring and reverse factoring transactions.
   - MLIs will adhere to the guidelines of their respective institutions for lending on the TReDS platform.
   - Coverage shall be available only if the Buyer is not overdue on any TReDS platform as on the date of discounting of FU.
   - If a Buyer has any overdue on any TReDS platform, as on the date of guarantee coverage, the Buyer shall not be eligible for coverage across all TReDS platforms till the overdue is cleared in full.
   - Guarantee shall apply to all eligible Factoring Units (FUs) containing invoices which are not older than 30 days from the date of introduction of the Special Provision.

2. <u>Exposure</u>
   - The maximum exposure per MSE Buyer on revolving basis shall be ₹10 crore which will be aggregate of exposures on all TReDS platforms and credit guarantee issued against the Buyer under all schemes of CGTMSE.
   - The maximum exposure per MSE Seller on revolving basis shall be ₹2 crore which will be aggregate of exposures on all TReDS platforms.
   - The maximum exposure to the MLI will be decided by the Trust.

3. <u>Extent of Guarantee Coverage</u>
   - The extent of guarantee coverage shall be 75% of the amount in default.
   - Partial retirement of a Factoring Unit (FU) shall be permitted.

4. Guarantee Fee Structure

Guarantee fee for Banks (MLIs) will be as per CGS – I which is given as under:

Guarantee Slab (₹)	Standard Rate (SR) of Annual Guarantee Fee (% p.a.)*
0 - 10 lakh	0.37
Above 10 lakh -50 lakh	0.55
Above 50 lakh -1 crore	0.60
Above 1 crore -2 crore	0.85
Above 2 crore -5 crore	1
Above 5 crore -8 crore	1.10
Above 8 crore -10 crore	1.20

*Risk Premium will be charged on Standard Rate as applicable to respective Banks (MLIs).

- Guarantee fee for NBFC will be as per CGS – II guidelines.
- Additional concession in guarantee fee based on the category of the borrower/geography/MSE status (ZED category) will be extended as per the extant guidelines of CGS – I and CGS – II.

5. Guarantee validity/period – The guarantee shall commence from the date of receipt of the guarantee fee and remain valid up to the maturity date of the Factoring Unit (FU) plus 91 days, thereby ensuring that the NPA period falls within the guarantee coverage.

6. Lock-in & Invocation Period
    - A lock-in period of 60 days from the date of NPA shall apply. MLI will not be able to invoke the guarantee during this period.
    - MLIs may invoke the guarantee within a maximum period of 18 months from the expiry of lock-in period.

7. Claim Settlement Mechanism
    - The MLI / Financier shall invoke the guarantee after recovery proceedings have been initiated under due process of law.
    - Waiver of initiation of legal action for lodgement of claims shall be as per the extant guidelines of CGS – I (for Banks) and CGS – II (for NBFCs).
    - Claims shall be settled in two tranches:
        - 75% as the first installment.
        - Remaining 25% after completion of 6 months from the date of settlement of first installment of claim or OTS (after the receipt of full and final OTS amount) whichever is earlier.
    - The first instalment of the claim shall be paid after invocation of the guarantee.
    - The payout cap for any given year will be calculated at 2 times of the total receipts (i.e. guarantee fee plus recoveries post 1st claim settlement paid to CGTMSE) during the previous financial year passed on to CGTMSE by the MLI. The grand total payout cap in respect of an MLI will be sum of cap payout under the special provision and cap

payout under respective Credit Guarantee Schemes i.e CGS- I for Banks and CGS – II for NBFC.

8. NPA and Post-Claim Restrictions
    - In respect of guaranteed accounts, if the Buyer defaults and the account slips into NPA, then the Buyer shall not be eligible for guarantee coverage on any of the TReDS Platforms. If the account is subsequently upgraded to Standard then the Buyer shall be eligible for coverage on all TReDS platforms provided it is not overdue on any of the TReDS platform.
    - Any Buyer against which the claim is settled by CGTMSE shall not be eligible for guarantee coverage on all the TReDS Platforms. However, if the entire settled claim amount is returned by the MLI to the Trust and the Buyer's account is not overdue on any of the TReDS Platforms, then the Buyer shall be eligible for guarantee coverage.

9. Recovery

   Any recovery made by the MLI post claim settlement will have to be returned to CGTMSE on proportionate basis after netting-off legal expenses, if any (in the ratio of extent of guarantee coverage). eg: if the recovery amount is ₹100/-, legal expense is ₹4/-, ₹72/- [75% of (₹100-₹4)] will have to be remitted to CGTMSE as the guarantee coverage is 75%.

10. Assignment

    The guarantee is non-transferable, hence, assignment will not be allowed.

11. IT Infrastructure

    CGTMSE portal will be integrated with all the TReDS Platforms through API and the availability of guarantee will be made visible on the TReDS platform at the time of auction of FU.

12. General Provisions
    - In case, internal guidelines of respective MLIs are contradictory to the guidelines of the special provision on TReDS, the guidelines of the special provision on TReDS shall take precedence.
    - The Trust reserves the right to accept or reject any proposal of guarantee / any Buyer referred by MLI (Financier) which otherwise satisfies the norms of the Scheme.

The Special Provision shall come into effect from the date of approval by Reserve Bank of India (RBI) allowing CGTMSE to operate on TReDS platforms.

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