

PRESS BRIEF
Department of Financial Services

Partial Credit Guarantee Scheme (PCGS) 2.0 extended with greater flexibility to respond to emerging demands

As part of Atmanirbhar Bharat Abhiyan, announced by the Government, PCGS 2.0 was launched on 20.05.2020 to provide Portfolio Guarantee for purchase of Bonds or Commercial Papers (CPs) with a rating of AA and below issued by NBFCs/HFCs/ MFIs by Public Sector Banks (PSBs). It was envisaged to purchase Bonds/ CPs of Rs. 45,000 crore under PCGS 2.0 of which the maximum headroom permissible for purchase of Bonds/ CPs rated AA/AA- was 25% of the total portfolio i.e. Rs. 11,250 crore. In addition, the Government had separately announced the Special Liquidity Scheme for purchase of Commercial Papers (CPs) and Non-Convertible Debentures (NCDs) issued by NBFCs/HFCs with a residual maturity of upto 3 months, which could be extended for a further period of upto 3 months, of a total value not exceeding Rs. 30,000 crore to be extended by the amount required as per need.

2. Under PCGS 2.0, PSBs have approved purchase of Bonds/ CPs rated AA/AA- issued by 28 entities and Bonds/CPs rated below AA- issued by 62 entities, amounting to Rs. 21,262 crore overall. The average ticket size of Bonds/CPs rated below AA- is significantly lower than the average ticket size of Bonds/CPs rated AA/AA-. Under SLS, proposals of Rs. 7,464 crore have been approved for purchase so far.

3. Keeping in view the progress under the Scheme and the fact that the stipulated limit for AA/AA- rated Bonds/CPs has been nearly reached while the appetite for lower rated Bonds/CPs is nearing saturation considering their lower ticket size, the Government has now decided to modify PCGS 2.0 for purchase of Bonds/CPs as under:

- (i) Additional 3 months have been granted to build up the portfolio. At the end of six months, i.e. by 19.11.2020, the portfolio shall be crystallised based on actual amount disbursed, for the Guarantee to come into effect.
- (ii) At the portfolio level, AA and AA- investment sub-portfolio under the Scheme should not exceed 50% (instead of 25% stipulated earlier) of the total portfolio of Bonds/ CPs purchased by PSBs under the Scheme.

4. It is expected that the above modification will provide greater flexibility to PSBs in purchasing Bonds/CPs under PCGS 2.0.

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