

No.Fin-IF(C) 14-4/90
Government of Himachal Pradesh
Finance(IF) Department

From

The Additional Chief Secretary(Finance) to the
Government of Himachal Pradesh

To

1. All Administrative Secretaries to the Government of Himachal Pradesh.
2. All Heads of Departments in Himachal Pradesh.
3. All Managing Directors /CEO of PSUs/ Boards in H.P.

Dated Shimla-171002, the 3rd June,2021.

Subject:-

Guidelines regarding issue of State guarantee and levying of guarantee fee and commitment charges in respect of Public Sector Undertakings/ Autonomous Bodies etc.

Madam/Sir,

This is in reference to the subject cited above. It has been observed by the Finance Department that guarantee fee and commitment charges are not being deposited/paid to the State government by the Public Sector Undertakings etc. and the guidelines issued from time to time by the Finance Department are not being adhered to by concerned institutions. After careful consideration, the following guidelines regarding issue of State govt. guarantee and levying of guarantee fee and commitment charges in respect of Public Sector Undertakings/ Autonomous Bodies etc. are being issued for adherence by concerned PSU/Board etc.

1. Rule 166 of HPFR, 2009 provides that the power of the State Government to give guarantee shall be subject to such limits as may be fixed in terms of Article 293 of the Constitution, Himachal Pradesh Fiscal Responsibility and Budget Management Act,2005 as amended from time to time and rules framed thereunder. Such matters should be invariably sent to FD.
2. All the cases of guarantee will be recommended as per procedure laid down in Rule 167 of HPFR,2009. As such, the proposals for State Govt. guarantee should contain following complete details of the liability involved:-
 - a. Purpose of loan, rate of interest, amount involved, period of guarantee and commitment of financing institution etc. The rate of interest in respect of the borrowings under State Govt. guarantee should be negotiated to be the lowest possible.
 - b. Detailed report indicating the financial health of the institution concerned. Copy of profit and loss statement should be added;
 - c. Up-to-date position with regard to the loans obtained with State guarantee, the loan repaid and balance outstanding;

- d. Whether Guarantee fee has been paid in full in respect of the loans already obtained with the State Guarantee;
- e. Whether the loan proposed to be obtained is covered within borrowing power limit of the institution concerned;
- f. The terms and conditions on which the loan has to be repaid and the arrangements which are being made for the repayment of the loan proposed to be guaranteed.
3. The Guarantee Deed and other documents should be completed with the financing institution immediately after approval of proposal by the State govt. and there should be no delay for this purpose. The guarantee deed will be signed by the Administrative Department with the concerned institution to whom the guarantee has been given.
4. The liabilities incurred under State Govt. guarantee should be liquidated well in advance of the expiry of guarantee period and intimation to this effect should be sent to Finance Department
5. Rule 168 provides for levying of guarantee fees. As such, the rate of guarantee fee will be 1% and the guarantee fee would be charged on the amount of loan actually availed.
6. In addition to guarantee fee, commitment charge will be levied @0.2% of the total amount of guarantee asked for so that there is disincentive to the Corporations /Boards /Cooperative Institutions against sending proposals for seeking State Guarantee for higher amounts than actually needed.
7. Initially, the Corporation or Board or other Agencies under the Govt. shall deposit the entire guarantee fee on the whole amount guaranteed (@1%) plus the commitment charge @(0.2%) i.e. a total of 1.2% of the total amount of guarantee under the following Head of Accounts:

0075- Miscellaneous General Services

00-

108- Guarantee Fees

01- Guarantee Fee and Commitment Charges.

(गारंटी फीस और प्रतिबद्धता शुल्क)

All Heads of the Department, Himachal Pradesh shall be the Head of Department for operating this sub-minor head.

At the end of the financial year, the concerned Corporation/Board/Institution shall indicate the actual highest amount of credit availed of duly supported by bank documents. If such amount is less than the amount for which guarantee was given, the concerned Corporation/Board/Institution shall be allowed a

refund of the proportionate amount of guarantee fee for which a separate Head of account 0075-00-900-90 has been opened.

8. To obviate the chances of non-payment of guarantee fee and commitment charges by the principal debtor, the Administrative Department shall not consider the cases for raising of loans by Public Sector Undertakings etc. against State Government guarantee unless an undertaking has been furnished to the State Government that the guarantee fee/commitment charge will be credited into government treasury before entering into any Agreement with the banker and the actual drawl of amount from the bank and that it will be recorded in the sanction letter that the sanction for standing guarantee by the State Government shall come into operation only after the guarantee fee/commitment charge due has been deposited into govt. treasury.
9. It will be incumbent on the Administrative Department to supply the following particulars to the Audit Office as well as Finance Department after the guarantee fee has been deposited:-
 - a. Sanction number and date indicating amount of loan guaranteed and purpose for which it was obtained by the Institution/Undertaking;
 - b. Amount of loan availed of;
 - c. Amount of guarantee fee/ commitment charge deposited;
 - d. Reference to Treasury challan number, date of credit, Head of Account to which credited and name of the Treasury concerned.(attested copy to be attached);and
 - e. Remarks, if any.
10. Individual cases for exemption from payment of guarantee fee may be considered where concessional finance is provided by RBI/IDBI to Cooperative Institutions/H.P. Financial Corporation/HRTC. Proposals involving exemption for payment of guarantee fees and commitment charges should be specifically recommended with reason and justification for exemption.

These instructions/guidelines may kindly be brought to the notice of all the concerned PUSs/Boards/Autonomous Bodies etc. for compliance.

Yours faithfully,


(Rakesh Kanwar)

Special Secretary (Finance) to the
Government of Himachal Pradesh.