

## Emergency Credit Line Guarantee Scheme (ECLGS)

### Operational Guidelines updated as on September 14, 2020

#### **1. Name of the Scheme:**

The Scheme shall be named as 'Emergency Credit Line Guarantee Scheme (ECLGS)' (hereinafter referred as the 'Scheme') and the credit product for which guarantee would be provided under the Scheme shall be named as 'Guaranteed Emergency Credit Line (GECL)'

#### **2. Purpose of the Scheme:**

To provide 100% guarantee coverage for the GECL, which shall be a pre-approved sanction limit of up to 20% of loan outstanding as on 29<sup>th</sup> February, 2020 to eligible borrowers, in the form of additional working capital term loan facility (in case of banks and Financial Institutions), and additional term loan facility (in case of NBFCs) from all Member Lending Institutions (MLIs) to eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME) borrowers, including interested PMMY borrowers, in view of COVID-19 crisis, as a special Scheme.

#### **3. Date of commencement**

Scheme shall come into force from the date of issue of these guidelines by NCGTC.

#### **4. Definitions**

##### **For the purposes of this Scheme –**

- **“Amount in Default”** means the principal and interest amount outstanding in the account of the borrower in respect of term loan/working capital term loan facility (including interest) as the case may be, as on the date of the account becoming NPA, or on the date of lodgment of claim application, whichever is lower, or on such other date as may be specified by Trustee Company for preferring any claim against the guarantee cover subject to a maximum of amount guaranteed.
- **“Credit facility”** means financial assistance provided under the Scheme by way of additional working capital term loan facility (in case of banks and Financial Institutions), and additional term loan facility (in case of NBFCs) extended by all Member Lending Institution (MLI) to eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME) borrowers/individuals who have availed loan for

business purposes. The financial assistance provided as part of the Scheme is to be operated as a separate loan account.

- (i) **“Eligible borrower”** means all Business Enterprises /MSMEs/individuals who have availed loan for business purposes with outstanding loans of up to Rs. 50 crore as on 29.2.2020, and annual turnover of up to Rs. 250 crore in FY 2019-20. In case accounts for FY 2019-20 are yet to be audited/finalized, the MLI may rely upon the borrower’s declaration of turnover. The Scheme is valid for existing customers on the books of the MLI. Borrower accounts should be less than or equal to 60 days past due as on 29th February, 2020 in order to be eligible under the Scheme. However, as per decision taken on September 08, 2020, exception has been allowed for overdues of the borrower in respect of their credit card/savings account/current account provided the said overdues did not exceed 1% of the loan amount (i.e. GECL amount) extended under ECLGS facility and that the overdue amount were regularized prior to assistance being extended under ECLGS and provided further that the member lending institutions ensure that the overdues were covered by the materiality concept being followed by the MLIs.
- For the purpose of this Scheme, the term Business Enterprises /MSMEs would also include loans covered under Pradhan Mantri Mudra Yojana (PMMY). ‘Guarantee Cover’ means the maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution. For this Scheme, the guarantee coverage would be 100% of the amount in default.
  - **“Member Lending Institution(s)” (MLI)**
    - Banks: All Scheduled Commercial Banks.
    - Financial Institutions: As defined in sub-clause (i) of clause (c) of Section 45-I of Reserve Bank of India Act.
    - NBFC: “Non-Banking Financial Company” means a non-banking financial company as defined in clause (f) of section 45-I of the RBI Act, 1934 and which has its principal business as defined by RBI and has been granted a certificate of registration under sub-section (1) of section 45-IA of the Act. All NBFCs which have been in operation for 2 years as on 29<sup>th</sup> February, 2020 would be eligible under the Scheme.
  - **“Non-Performing Assets”** means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time
  - **“Primary security”** in respect of a credit facility shall mean the assets created out of the credit facility so extended

- **“Interest Rate”** for a lending institution means the rate so declared by that lending institution from time to time as per Reserve Bank of India guidelines based on which interest rate applicable for the loan will be determined.
- **“Tenure of guarantee cover”** means the maximum period of guarantee cover from the Guarantee sanction date, and it shall be co-terminus with the tenor of the loan under GECL

## **SCOPE AND EXTENT OF THE SCHEME**

### **5. Eligible MLIs**

- MLIs for this purpose shall include all Scheduled Commercial Banks (SCBs), Non-Banking Financial Companies (NBFCs) and Financial Institutions (FIs), as specified above.
- All NBFCs which have been in operation for 2 years as on 29th February, 2020 would be eligible under the Scheme.

### **6. Duration**

- The Scheme would be applicable to all loans sanctioned under GECL during the period from the date of issue of these guidelines by NCGTC to 31.10.2020, or till an amount of Rs 3,00,000 crore is sanctioned under the GECL, whichever is earlier.

### **7. Eligible Borrowers**

- All borrower accounts pertaining to Business Enterprises /MSMEs/Loans to individuals for specific businesses purposes (as specified in the FAQs) with combined outstanding loans across all MLIs of up to Rs. 50 crore as on 29.2.2020, and annual turnover of up to Rs. 250 crore for FY 2019-20 are eligible for the Scheme. MLIs are expected to check with credit bureau the overall outstanding of the borrower to assess the eligibility of the borrower.
- Loans provided to Business Enterprises / MSMEs constituted as Proprietorship, Partnership, registered company, trusts and Limited Liability Partnerships (LLPs) shall be eligible under the Scheme. As per decision taken on August 03, 2020, loans provided to individuals for business purposes shall also be eligible (as specified in the FAQs).
- For the purpose of this Scheme, Business Enterprises / MSMEs would include loans covered under Pradhan Mantri Mudra Yojana extended on or before 29.2.2020 and reported on the MUDRA portal. All eligibility conditions including the condition related to Days past due would also apply to PMMY loans.

- Loans provided in individual capacity are covered under the Scheme. However, such loans should be restricted to business loans taken by individuals (as specified in the FAQs) for their own businesses and should be supported with a Management Certificate to this effect at the time of guarantee application. These loans should also meet the other eligibility criteria of the scheme.
- The Scheme is valid for existing customers on the books of the MLIs. Borrower accounts should be less than or equal to 60 days past due as on 29th February, 2020 in order to be eligible under the Scheme. *i.e.* All borrowers which have not been classified as SMA 2 or NPA by any of the MLIs as on 29<sup>th</sup> February, 2020 will be eligible for the Scheme.
- Days Past Due status as on 29.2.2020 to be checked across MLIs from credit bureau.

(ii) All borrower accounts which had NPA or SMA-2 status as on 29.2.2020 shall not be eligible under the Scheme. However, as per decision taken on September 08, 2020, exception has been allowed for overdues of the borrower in respect of their credit card/savings account/current account provided the said overdues did not exceed 1% of the loan amount (i.e. GECL amount) extended under ECLGS facility and that the overdue amount were regularized prior to assistance being extended under ECLGS and provided further that the member lending institutions ensure that the overdues were covered by the materiality concept being followed By the MLIs.

- Business Enterprises / MSME borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to Business Enterprises / MSMEs that are not required to obtain GST registration.
- An 'opt-out' option should be provided to the eligible borrowers to enable them to choose whether they wish to opt out of the GECL facility.
- For the purpose of this Scheme it is not necessary that the existing loans of the borrowers should be covered under the existing NCGTC or CGTMSE Scheme.
- Some examples on the eligibility of the borrowers are indicated below

Name of the Borrower	Overall Outstanding of the Borrower across MLIs (INR Crore)	Overall Outstanding of the Borrower with MLI (INR Crore)	DPD of borrower as on 29 <sup>th</sup> Feb 2020 (Days)	Turnover as per latest available financials (INR Crore)	
Borrower A	60	15	30	90	Not eligible
Borrower B	60	15	62	90	Not eligible

Borrower C	50	50	59	250	Eligible
Borrower D	15	10	0	80	Eligible
Borrower E	20	10	0	260	Not Eligible

### 8. Loan Amount eligible under the Guarantee Coverage

- The amount of GECL funding to eligible borrowers either in the form of additional working capital term loan facility (in case of banks and Financial Institutions), and additional term loan facility (in case of NBFCs) would be up to 20% of their total outstanding loans up to Rs. 50 crore as on 29<sup>th</sup> February, 2020, subject to the borrower meeting all the eligibility criteria.
- Total Outstanding Amount would comprise of the on-balance sheet exposure such as outstanding amount across WC loans, term loans and WCTL loans. Off-balance sheet and non-fund based exposures will be excluded.
- MLIs are expected to check with credit bureau the overall outstanding of the borrower to assess the overall additional loan amount eligible for sanction under the Scheme.
- MLIs would be required to open a separate account for Credit Facility extended through the Scheme
- Loans extended through current Government schemes such as PMEGP, PMMY etc. would continue to be categorized under that scheme as earlier. WCTL/Term Loans under this Scheme shall be over and above the existing loan.
- In case a borrower has existing limits with multiple lenders, GECL may be availed either through one lender or multiple lenders depending upon the agreement between the borrower and the MLI.
- In case the borrower wishes to take from any lender an amount more than the proportional 20% of the outstanding credit that the borrower has with that particular lender, a No Objection Certificate (NOC) would be required from such lenders whose share of ECLGS loan is being proposed to be taken from the specific lender. However, it would be necessary for the specific lender to agree to provide ECLGS facility on behalf of such of the lenders
- No NOC will, however, be required if the GECL availed from a particular lender is limited to the proportional 20% of the outstanding credit that the borrower has with that lender.
- MLIs are expected to have simple and enabling criteria to assess the borrower eligibility. Since the loans are being provided to existing borrowers it is expected that the time required for due diligence would be minimal in nature. MLIs should

work towards enabling access of this facility to all the eligible borrowers by educating borrowers regarding the Scheme and steps to avail credit under the Scheme.

- Examples to calculate the loan amount covered under the Guarantee coverage:

Name of the Borrower	Overall Outstanding of the Borrower across MLIs (INR Crore)	Overall Outstanding of the Borrower with MLI (INR Crore)	Total Maximum Loan Amount allowed under the scheme (INR Crore)	Total Maximum Loan Amount allowed without NOC for MLI (INR Crore)
	A	B	C= 20% of A	D= 20% of B
Borrower A	20	15	4	3
Borrower B	5	2	1	0.4
Borrower C	25	25	5	5
Borrower D	15	10	3	2

## 9. Interest Rate of Credit under the Scheme

Interest Rate on GECL shall be capped as under:

- For Banks and FIs, lending rate linked to one of the external benchmark rates prescribed by RBI +1% subject to a maximum of 9.25% per annum.
- For NBFCs, the interest rate on GECL shall not exceed 14% per annum.
- Since the additional pre-approved facility is to be provided to existing customers, no additional processing fee shall be charged by MLIs to borrowers.
- No penal interest due to any non-compliance of the already accepted covenants on the existing credit facilities may be charged on additional loans during the sanction time.

## 10. Nature of account and Tenor of Credit under the Scheme

- A separate loan account should be opened for the borrower, distinct from the existing loan account(s), for coverage under the Scheme.
- The tenor of loans provided under GECL shall be for a tenor of four years from the date of disbursement. No pre-payment penalty shall, however, be charged by the MLIs in case of early repayment.
- Moratorium period of one year on the principal amount shall be provided to borrowers for the GECL funding during which interest shall be payable
- The principal shall be repaid in 36 installments after the moratorium period is over.

- Pre-payment of facilities to be allowed at no additional charge to the borrower.
- The account may be operated in combination with applicable Interest Subvention Scheme(s) as far as feasible.
- RBI's approval has been solicited for keeping risk weight for loans provided under GECL at zero.

## **11. Security**

- The additional WCTL (in case of banks and FIs)/Term loan (in case of NBFCs) facility granted under GECL shall rank *second charge* with the existing credit facilities in terms of cash flows (including repayments) and security, with charge on the assets financed under the Scheme to be created within a period of three months from the date of disbursement.
- No additional collateral shall be asked for additional funding under GECL.
- As per decision taken on September 08, 2020, the stipulation of second charge has been waived in respect of all loans up to Rs.25 lakh (outstanding as on February 29, 2020 plus loan sanctioned under GECL), subject to MLI ensuring to safeguard the interests of NCGTC. In this regard, MLI shall obtain a suitable undertaking (as per draft format provided by NCGTC and hosted/to be hosted on the website) from the borrower.

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## **12. Guarantee Fee**

- No Guarantee Fee shall be charged from the MLIs by NCGTC for the Credit facilities provided under the Scheme.

## **13. Extent of the Guarantee Coverage**

- The Trustee Company shall provide 100% Guarantee coverage on the outstanding amount for the credit facility provided under the Scheme as on the date of NPA.

## **14. Definition of Default**

- The definition of default for borrowers shall be as per the instructions and guidelines issued by the Reserve Bank of India from time to time under extant norms on income recognition, asset classification and provisioning.

## **15. Invocation of guarantee**

- The Member Lending Institutions (MLIs) are required to inform the date on which the account was classified as NPA within 90 days of the account being classified as NPA.

- The Trustee Company shall pay 75 per cent of the guaranteed amount within 30 days of preferring of eligible claim by the lending institution, subject to the claim being otherwise found in order and complete in all respects. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier. With regard to loans to individuals, furnishing of a Statutory Auditor Certificate certifying the eligibility of the loan availed and claim preferred as per scheme guidelines would be essential prior to final settlement of balance 25%.

**16. Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked**

Post invocation of the guarantee claim, if any recoveries are made in the account, MLIs shall first adjust such recoveries towards default amount relating to first charge and the legal costs incurred by them for recovery of the amount and shall thereafter remit to NCGTC the balance recoveries.

**17. Agreement to be executed by the lending institution**

- A lending institution shall not be entitled to a guarantee in respect of any eligible credit facility granted by it unless it has submitted an Undertaking with the Trustee Company in such form as may be required by the Trustee Company for covering by way of guarantee, under the Scheme all the eligible credit facilities granted by the lending institution, for which provision has been made in the Scheme.
- All interested and eligible MLIs are required to submit the Undertaking to NCGTC for the purpose of this Scheme

**18. Responsibilities of lending institution under the Scheme:**

- Lending Institutions shall provide certain data points on a fortnightly basis to Trustee Company to enable Trustee Company to track the outreach and impact of the Scheme. The indicative data points required shall be as follows
  - Number of eligible borrowers and the amount outstanding as on 29<sup>th</sup> February, 2020 (to be shown separately for Business Enterprises, MSME and PMMY borrowers)
  - Number of Business Enterprises, MSMEs, PMMY and individual borrowers sanctioned GECL facility under the Scheme (to be shown separately for MSME, PMMY and individual borrowers)
  - Number of Business Enterprises, MSMEs, PMMY and individual borrowers disbursed GECL facility under the Scheme (to be shown separately for MSME, PMMY and individual borrowers)
  - Total Amount of Funds sanctioned under the Scheme with break up across TL (in case of NBFCs) and WCTL (in case of banks and FIs), to be shown

separately for Business Enterprises, MSMEs, PMMY and individual borrowers

- Total Amount of Funds disbursed under the Scheme with break up across TL (in case of NBFCs) and WCTL (in case of banks and FIs), to be shown separately for Business Enterprises, MSMEs, PMMY and individual borrowers
  - Total Outstanding Amount for Term loans (in case of NBFCs) and for WCTL (in case of banks and FIs), to be shown separately for Business Enterprises, MSMEs, PMMY and individual borrowers
  - Number of employees employed by the borrowers, to be shown separately for Business Enterprises, MSMEs, PMMY and individual borrowers (to be provided at the time of sanction and then to be updated monthly)
  - Default ratio and NPA ratio  
(NCGTC may seek additional information from MLIs within extant regulation)
- Should enable communication of the Scheme to the borrowers by highlighting the Scheme details on their website and linking to Scheme webpage.
  - As this is an opt out facility, Lending institution should work towards creating awareness for the Scheme by enabling communication of the Scheme through SMS and Email campaigns to all eligible borrowers.
  - The lending institution shall closely monitor the borrower account, and shall put in all required efforts to ensure that the account is serviced regularly.
  - The lending institution shall safeguard the primary securities in respect of the credit facility in good and enforceable condition.
  - The lending institution shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Trustee Company in the form and in the manner and within such time as may be specified by the Trustee Company in this behalf and that there are no delays on its part to notify the default in the borrowers account which shall result in the Trustee Company facing higher guarantee claims.
  - The payment of guarantee claim by the Trustee Company to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate all necessary actions for recovery of the outstanding amount, including such action as may be advised by the Trustee Company.
  - The lending institution shall comply with such directions as may be issued by the Trustee Company from time to time for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Trustee

Company may deem fit and the lending institution shall be bound to comply with such directions.

- The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trustee Company in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trustee Company. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trustee Company as the guarantor. In particular, the lending institution should intimate the Trustee Company while entering into any compromise or arrangement, which may have the effect of discharge or waiver of personal guarantee(s) or security.
- The lending institution shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without intimating the Trustee Company. Further the lending institution shall secure for the Trustee Company or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the Trustee Company.

## **19. Modifications in the Scheme**

Any changes to the current structure of the Scheme, including but not limited to the eligibility criteria, guarantee fee, rate of interest and tenor of GECL under the Scheme, shall be decided by the Management Committee for the ECLGS Fund.

- 20.** The scheme guidelines may be read along with the FAQs uploaded on the website from time to time.

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