

**Frequently Asked Questions (FAQs) on
Emergency Credit Line Guarantee Scheme of Rs. 3 lakh crore**

1. What is Guaranteed Emergency Credit Line (GECL)?

The GECL is a loan for which 100% guarantee would be provided by National Credit Guarantee Trustee Company (NCGTC) to Member Lending Institutions (MLIs), and which will be extended in the form of additional working capital term loan facility in case of Scheduled Commercial Banks (SCBs) and Financial Institutions (FIs), and additional term loan facility in case of Non-Banking Financial Companies (NBFCs), to eligible MSMEs/ Business Enterprises and interested Pradhan Mantri Mudra Yojana (PMMY) borrowers. Credit under GECL would be up to 20% of the borrower's total outstanding credit up to Rs. 25 crore, excluding off-balance sheet and non-fund based exposures, as on 29th February, 2020, i.e., additional credit shall be up to Rs. 5 crore.

2. What is the objective of the Scheme?

The Scheme is a specific response to the unprecedented situation COVID-19. It seeks to provide much needed relief to the MSME sector by incentivizing MLIs to provide additional credit of up to Rs. 3 lakh crore at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

3. What is the Emergency Credit Line Guarantee Scheme?

The Emergency Credit Line Guarantee Scheme provides 100% guarantee coverage by NCGTC to MLIs on GECL of up to Rs. 3 lakh crore to eligible MSMEs. MSMEs for the purpose of this Scheme will include MSMEs/ Business Enterprises which are constituted as Proprietorships, Partnerships, Registered Companies, Trusts and Limited Liability Partnerships (LLPs), and also interested borrowers under PMMY.

4. Who are the MLIs under the Scheme?

All SCBs are eligible as MLIs. NBFCs which have been in operation for at least 2 years as on 29.2.2020, and FIs will also be eligible as MLIs under the Scheme.

5. What will be the definition of FIs for the purpose of this Scheme?

FIs for the purpose of this Scheme will be as defined under sub-clause (i) of clause (c) of Section 45-I of RBI Act.

6. What is the duration of the Scheme?

The Scheme would be applicable to all loans sanctioned under GECL during the period from May 23, 2020 to 31st October, 2020, or till an amount of Rs. 3 lakh crore is sanctioned under GECL, whichever is earlier.

7. What would be the guarantee coverage under the Scheme?

The entire funding provided under GECL shall be provided with a 100% credit guarantee coverage by NCGTC under the Scheme.

8. What will be the eligibility criteria for MSMEs to avail the benefit of the Scheme?

The eligibility criteria under the Scheme are as under:

- All MSME borrower accounts with combined outstanding loans across all MLIs of up to Rs. 25 crore as on 29.2.2020, and annual turnover of up to Rs. 100 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 only for existing customers on the books of the MLI.
- Borrower accounts should be classified as regular, SMA-0 or SMA-1 as on 29.2.2020. Accounts classified as NPA or SMA-2 as on 29.2.2020 will not be eligible under the Scheme.
- The MSME borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to MSMEs that are not required to obtain GST registration.
- Loans provided in individual capacity will not be covered under the Scheme.

9. Will the Scheme also cover borrowers under PMMY?

Yes, loans under PMMY extended on or before 29.2.2020, and reported on the MUDRA portal shall be covered under the Scheme.

10. Will GECL be extended as a separate loan account, or as part of the existing loan account of the borrower?

A separate loan account shall be opened for the borrower for extending additional credit under GECL. This account will be distinct from the existing loan account(s) of the borrower.

11. Will loans under the Scheme be automatically given without any application or solicitation from the borrower?

This is a pre-approved loan. An offer will go out from the MLI to the eligible borrowers for a pre-approved loan which the borrower may choose to accept. If the MSME accepts the offer, it will be required to complete requisite documentation. Thus, an 'opt-out' option will be provided to eligible borrowers under the Scheme, *i.e.*, if the borrower is not interested in availing the loan, he/she may indicate accordingly.

12. What would be the procedure followed in case a borrower has loan accounts with multiple lenders?

- In case a borrower has existing limits with multiple lenders, GECL may be availed either through one lender or each of the current lenders in proportion 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 all other 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.

13. To avail GECL, will it be necessary for existing loans of the borrower to be covered under existing guarantee schemes such as CGFMU or CGTMSE?

No.

14. Will the interest rate on GECL be capped?

Yes, interest rates on GECL shall be capped as under:

- For Banks and FIs, one of the RBI prescribed external benchmark linked rates +1% subject to a maximum of 9.25% per annum
- For NBFCs, the interest rate on GECL shall not exceed 14% per annum

The Scheme may also be operated in combination with applicable interest subvention schemes, as far as feasible.

15. What would be the tenor of loans provided under GECL?

The tenor of loans provided under GECL shall be four years from the date of disbursement. No pre-payment penalty shall, however, be charged by the MLIs in case of early repayment.

16. Is there any moratorium period prescribed under the Scheme?

Yes, a moratorium period of one year on the principal amount shall be provided for GECL funding. Interest shall, however, be payable during the moratorium period. The principal shall be repaid in 36 instalments after the moratorium period is over.

17. Is any turnaround time prescribed for MLIs under the Scheme for sanction of GECL?

Indicative turnaround time for loans under the Scheme shall be the same as those prescribed by Department of Financial Services for credit support in the context of COVID-19 pandemic.

18. Will any guarantee fee be charged under the Scheme by NCGTC?

No, NCGTC will not charge any guarantee fee under the Scheme.

19. Will any processing fee be charged by MLIs for sanction of loans under GECL?

Since additional credit under GECL is to be provided to existing customers, no additional processing fee shall be charged by lenders.

20. Will MLIs ask for any additional collateral for the GECL facility?

No additional collateral shall be asked by MLIs for additional credit extended under GECL.

21. Will the categorization of existing loans extended through current Government schemes such as PMEGP or PMMY change if GECL is provided to such borrowers?

No. Existing loans extended through current Government schemes would continue to be categorized under that scheme as earlier. GECL under this Scheme shall be over and above the existing loan.

22. What will be the risk weight assigned to the credit extended under GECL?

Approval of RBI has been requested for assigning zero risk weight to the credit extended under GECL.

23. What will be the security on credit extended under GECL? Scheme?

The credit under GECL will rank *second charge* with the existing credit facilities in terms of cash flows (including repayments) and securities, with charge on the assets financed under the Scheme to be created within a period of 3 months from the date of disbursement.

24. Will MLIs be required to enter into any agreement with NCGTC for the purpose of this Scheme?

Yes, MLIs will be required to submit an Undertaking to NCGTC for the purpose of this Scheme.

25. How will the guaranteed amount be paid by NCGTC to the MLIs on invocation of the guarantee?

75% of the guaranteed amount will be paid by NCGTC within 30 days of an eligible claim being preferred by the MLI concerned. The balance 25% will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier.

26. Who will issue detailed operational guidelines for ECLGS, and who will have the authority to modify provisions of the Scheme/operational guidelines?

NCGTC has issued the detailed operational guidelines for the Scheme. The Management Committee for ECLGS fund will have the authority to approve any changes to the current structure of the Scheme/ operational guidelines.

27. I run a business enterprise and have a GST registration. However, I am not registered as an MSME nor do I have Udyog Aadhar. My Bank also does not classify me as an MSME borrower. Am I eligible under the scheme?

You are eligible if

- (i) you have total credit outstanding of Rs. 25 Crore or less as on 29th Feb 2020
- (ii) your turnover for 2019-20 was upto Rs. 100 Cr.
- (iii) You have a GST registration or were not required to obtain such GST registration

Udyog Aadhar or recognition as MSME is not required under this Scheme

28. My Bank/ NBFC has offered me a pre approved loan of 15% only though the scheme mentions 20%. Can the Bank/ NBFC do so?

Under ECLGS, Banks/ NBFCs are to offer loans **upto** 20%. Actual loan extended can therefore be less than 20%. This is generally on mutually agreed terms between the borrower and the lender based on factors relevant to the business operations.

29. I run a retail shop. Am I eligible for coverage?

See answer to question 27

30. I operate a lending business. Am I eligible?

No please. Typically lending institutions get funds from banks/ NBFCs through on lending, refinance, asset purchase, securitization, assignment etc. There are therefore other windows available including the Partial Credit Guarantee Scheme and the Special Liquidity Facility.

31. Are all NBFCs eligible to become MLIs with NCGTC?

No. The NBFC must be registered with RBI, should be meeting the CRAR requirements prescribed by RBI and have been in lending business for at least two years as on 29th Feb 2020. The Managing Committee of the Scheme may prescribe additional qualification criteria from time to time.

32. What will be the procedure for claim settlement ?

This will be advised in due course through additional guidelines to be issued.

33. Can new MSME borrowers get covered under the scheme?

ECLGS scheme is only for existing borrowers on the books of the banks as on 29th Feb 2020. Any New borrowers should be covered under ongoing CGTMSE and NCGTC schemes

34. Can co-applicant loans between entity and the promoter or director get covered under the scheme ?

For loans having co-applicant, only those existing loans where entity is the primary co-applicant are covered under the Scheme for additional emergency funding

35. Are off balance sheet loans provided to MSME borrowers covered as part of the scheme?

No, the scheme does not cover the off-balance sheet exposure. Only on balance sheet exposures outstanding as on 29th Feb, 2020 are eligible to be covered under the scheme.

36. How is the interest rate to be decided for loans under the scheme?

As per RBI guidelines dated September 04, 2019 & February 26, 2020, all loans to MSMEs must be benchmarked to one of the external benchmark rates. Banks are free to decide the spread over the external benchmark as per their approved policies. Accordingly, loans under the ECLGS must adhere to the above-mentioned guidelines and linked to the external benchmark rates.

As part of the scheme overall lending rate is capped 1% above the external benchmark lending rate or 9.25% p.a. whichever is lower. Loans which are allowed not to be benchmarked to external rates shall be capped at maximum of 9.25%.

For e.g. for Bank ABC External Benchmark Lending Rate is 7.80 %; i.e. RBI Repo Rate (4.0%) + Spread (3.80%). For the purpose of this scheme the lending rate would be Min of (7.8% + 1% = 8.8% and 9.25%) = 8.8% in this case.

For e.g. for Bank ABC1 External Benchmark Lending Rate is 8.50 %; i.e. RBI Repo Rate (4.0%) + Spread (4.50%). For the purpose of this scheme the lending rate would be Min of (8.5% + 1% = 9.5% and 9.25%) = 9.25% in this case.

37. I am not a registered MSME and operate a general/retail business. My account was NPA as on 29th Feb, 2020. Am I eligible for ECLGS?

Accounts that are NPA or where overdues have crossed 60 days (SMA-II) are not eligible under ECLGS.

38. My lender, which is an NBFC, proposes to charge 15% for the loan. Is this permissible?

While a NBFC lender can charge a rate of interest higher than 14%, such a loan would not be eligible for guarantee coverage.

39. What is the process of issue of Guarantees under the scheme ?

As per the system developed by us for issue of guarantee under ECLGS, once a lender enters the details of the loan sanctioned to an eligible borrower as per the scheme guidelines, the system shall approve the guarantee automatically and will provide Application Reference No. and Credit Guarantee Number to the lender, which shall be used by the lender for later references.

No documents are sought at the time of application lodgement of guarantee.

40. Will a portfolio / clients that has been purchased under a pool qualify under this scheme?

The guarantee is available to the existing lender for the additional loan extended during the specified period. Thus, the lenders on whose book these borrowers are currently can provide these facilities provided the borrowers meet all the eligible conditions as defined in the scheme guidelines. It should be noted that the eligible amount for loan under ECLGS is 20% of the outstanding amount as on 29th Feb 2020. The buyer of the pool should be an MLI under the Scheme.

41. Once the credit facility / loan under the scheme is extended to eligible clients, can the loans be assigned or be eligible for securitization?

The facilities provided under ECLGS are eligible for securitization. Since the facility is to be opened as a separate loan account it can be treated at par with normal loans for securitization purpose. Other conditions of eligibility must be fulfilled.

42. In case where the original loan is an unsecured loan (i.e. with no primary or collateral security), is it required to create a charge within a period of 3 months as applicable for ECLGS scheme?

If the underlying loan is unsecured in nature, no charge is required to be created/extended.

43. In retail financial sector, it is a common practice to balance transfer of loans from one entity to other. Will these customers be eligible for this scheme?

Mere transfer of loan from one lender to the other will not invalidate the customer or reduce the maximum loan eligibility available to such customer under this scheme, provided the lender taking over is also eligible under the scheme as per the criteria defined in the scheme guidelines.

MLIs should note that the overall loan under the scheme will be capped at overall outstanding as on 29th Feb, 2020

44. Will MSME customer of HFC entitled for this scheme?

MSME portfolio of HFC will be eligible. All MSME Loans must be given to entities which are eligible to be covered and provided other eligibility conditions are fulfilled.

45. What would be the format of NOC and undertaking to be obtained from other lender?

No format has been prescribed under the scheme. MLIs may use whatever they have been following till now.

46. What would be the nature of guarantee under the scheme?

The Credit Guarantee from NCGTC would be unconditional and irrevocable.

47. What would be the risk weight assigned to loans provided guarantee cover under the scheme ?

As per the GoI scheme of ECLGS, loans extended by Member Lending Institutions and covered under the proposed scheme shall be provided 100% guarantee cover. GoI has already requested RBI to assign zero risk weight to such loans..

48. Guarantee was issued under the scheme to a borrower who was eligible at the time of issue of guarantee. However, subsequently its combined loan outstanding across all MLIs exceeded Rs.25 crore or annual turnover exceeded Rs.100 crore. Whether the guarantee issued in such a case become void ?

No, it would not become void. Eligibility is reckoned at the time of sanction of the loan. Clause 6 of the Undertaking furnished by MLIs shall therefore stand deleted.

49. I run my business as a Society/ HUFs. Am I eligible under the scheme of ECLGS ?

Yes, all legal entities are eligible.

50. Whether individuals are covered under ECLGS, if they are MUDRA borrowers ?

Yes, they are eligible, provided

- (i) they meet the other eligibility norms of the scheme and
- (ii) The lender should have reported loans extended by it on the Mudra portal.

51. In case of MUDRA borrowers, if the total outstanding after support under ELGS exceeds the limit of Rs.10 lakh as specified for MUDRA borrowers, will they continue to get cover under Credit Guarantee Fund for Micro Units ?

Yes, The additional loan would be covered under NCGTC's ECLGS, while the original loan would continue under CGFMU as previously covered.

52. Whether educational institutes/ agri allied activities eligible for coverage under the scheme?

The scheme is for business activities. Any activity that is classified as an MSME or a business enterprise as per various guidelines issued by RBI or any Ministry from time to time are eligible for coverage under the scheme. If the other norms of the scheme are complied with, these institutions shall stand eligible.

53. Whether projects under implementation (who have not yet started commercial operations or have not completed one year of commercial operations) eligible for coverage under the scheme?

No restriction has been imposed for such types of units as they would also have been impacted by the pandemic and may suffer time and cost overrun. The concerned MLI should ensure overall eligibility under the scheme.

54. What is meant by Commercial Vehicle (CV) ?

It means a vehicle registered for commercial purposes.

55. Who can provide answers to any further queries?

Please address your queries/suggestions to ceo@ncgtc.in

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