



Frequently Asked Questions (FAQ) Emergency Line Credit Guarantee Scheme (ECLGS)

1. What is the Emergency Credit Line Guarantee Scheme?

The Emergency Credit Line Guarantee Scheme provides 100% guarantee coverage by National Credit Guarantee Trustee Company (NCGTC) to Bank on GECL of up to Rs.3 lakh crore to eligible MSMEs.

2. 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 Bank, and which will be extended in the form of additional working capital term loan facility. Credit under GECL would be up to 20% of the borrower's total outstanding credit up to Rs.50 crore, excluding off-balance sheet and non-fund based exposures, as on 29.02.2020, i.e. additional credit shall be up to Rs.10 crore.

3. 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 providing additional credit up to 20% of the borrower's total outstanding, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

4. 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. This scheme is valid till further guidelines by NCGTC time to time.

5. 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.50 crore as on 29.02.2020, 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 borrower can submit declaration of turnover.
- Loans under PMMY extended on or before 29.02.2020 and reported on the MUDRA portal shall be covered under the Scheme.
- The Scheme is valid only for existing customers of the bank.
- Borrower accounts should be classified as regular, SMA-0 or SMA-1 as on 29.02.2020. 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 to individuals as business loans for their own businesses are covered under the Scheme

6. 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 Bank to the eligible borrowers for a pre-approved loan which the borrower may choose to accept. If the borrower accepts the offer, it will be required to complete requisite documentation.

An 'opt-out' option is provided to eligible borrowers under the Scheme, i.e., if the borrower is not interested in availing the loan, he/she may opt accordingly.

7. 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.

8. What will be the interest rate of loan under this scheme?

Lending rate shall be applicable as per interest rate on advance policy of the Bank and govern by the ECLGS guideline rolled out from time to time, Interest rate shall be reviewed on monthly basis and reset shall be done on quarterly basis subject to a maximum of 9.25% per annum

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

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.

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

The tenor of loans provided under GECL will be of 48 months from the date of disbursement. A moratorium period of 12 months on the principal amount shall be provided. Interest shall, however, be payable during the moratorium period. The principal shall be repaid in 36 instalments after the moratorium period is over.

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

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

12. Will any processing fee be charged by Bank for sanction of loans under GECL?

No processing will be charged under the scheme.

13. Whether any additional collateral or security to be extended for the GECL facility?

No additional collateral is required additional credit extended under GECL however, 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 post disbursement

14. 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.

15. I have insufficient funds for repayment of both existing and ECLGS loan. Whether I can make repayment to existing loan only?

No, the repayment done by you will be adjusted proportionately into your existing loan as well as to ECLGS loan. Hence, both account shall be treated as part payment.

16. I run a business enterprise/retail shop 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-

- You have total credit outstanding of Rs.50 Crore or less as on 29.02.2020
- Your turnover for FY 2019-20 was up to Rs.250 Crore.
- 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

17. Can new borrowers get covered under the scheme?

ECLGS scheme is only for existing borrowers of the Bank as on 29.02.2020.

18. 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.

NOTE : These FAQs are subject to changes from time to time as per guidelines of NCGTC.