

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 (ECLGS) is a scheme launched by govt. of India which provides 100% guarantee coverage by National Credit Guarantee Trustee Company (NCGTC) on GECL (Guaranteed Emergency Credit Line) of up to Rs.3 lakh Cr. to be forwarded to eligible MSMEs/Business Enterprises by its member lending institutes (MLIs) such as Banks/NBFCs.

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 Member Lending Institutions (MLIs), and which will be extended as additional term loan facility by the Lender, to eligible MSMEs/ Business Enterprises. Credit under GECL would be up to 20% of the borrower's total outstanding credit up to Rs. 50 Cr., excluding off-balance sheet and non-fund based exposures, as on 29th February, 2020, i.e., additional credit shall be up to Rs. 10 Cr.

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 ECGLS during the period from May 23, 2020 to 31st October 2020.

5. What will be the eligibility criteria for business enterprise/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 Cr as on 29.2.2020, and annual turnover of up to Rs. 250 Cr in FY 2019-20. In case accounts for FY 2019-20 are yet to be audited/finalized, the borrower can submit declaration of turnover.
- The Scheme is valid only for existing customers of the SMC Finance.
- 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 to individuals for own business purposes will be covered under the Scheme.

6. Will GECL be extended as a separate loan A/C, or as part of the existing loan A/C of the borrower?

A separate loan account will 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.

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

This is a pre-approved loan. The eligible borrowers will be informed by SMC Finance of the Scheme and the Borrower has the option to accept it.

If the eligible Borrower accepts the offer, it will be required to complete requisite documentation. 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 opt accordingly. If the eligible borrower does not respond within the prescribed timelines as communicated by SMC Finance, the eligible borrower shall be deemed to have 'opted-out' from the Scheme.

8. 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.

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10. 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 SMC Finance 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 14% per annum.

11. 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.

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

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

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

No processing will be charged under the scheme.

14. Will the SMC Finance ask for any additional collateral for the GECL facility?

No additional collateral will be asked by the SMC Finance for additional credit extended under GECL.

15. 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 lender 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. 50 Cr or less as on 29th Feb 2020

(ii) Your turnover for 2019-20 was up to Rs. 250 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.

16. Can new borrowers get covered under the scheme?

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

17. SMC Finance has offered me a pre approved loan of 15% only though the scheme mentions 20%. Can a lender do that?

Under ECLGS, NBFCs are to offer loans up to 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.

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

Yes

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

No

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

Yes

21. 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 over dues have crossed 60 days (SMA-II) are not eligible under ECLGS.

22. I am an individual having taken loan from an eligible MLI for commercial/ construction equipment. Am I eligible for ECLGS facility?

Yes, you are eligible, provided you meet the other eligibility criteria of the scheme.

23. I am an individual having taken loan from an eligible MLI for diagnostic equipment. Am I eligible for ECLGS facility?

Yes, you are eligible, provided you meet the other eligibility criteria of the scheme.

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