

## **Frequently Asked Questions (FAQs) on Loan Guarantee Scheme for Covid Affected Sectors – Updated as on 17.08.2022**

### **1. What is Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS)?**

LGSCAS is a scheme to provide guarantee by National Credit Guarantee Trustee Company (NCGTC) to Member Lending Institutions (MLIs) for fund based or non-fund based facility upto Rs.100 crore extended by Scheduled Commercial Banks (SCBs) to eligible projects in the healthcare sector for setting up of or for modernising /expansion of (i) Hospitals/dispensaries/clinics/medical colleges/pathology labs/diagnostic centres; (ii) facilities for manufacturing of vaccines/oxygen/ventilators/priority medical devices and (iii) public healthcare facilities. The said projects should be in non-Metro cities.

### **2. What is the objective of the Scheme?**

The Scheme is a specific response to the unprecedented situation arisen due to COVID-19. It seeks to ramp up COVID related healthcare infrastructure and services in the country and also to be future ready.

### **3. Who are the MLIs under the Scheme?**

All Scheduled Commercial Banks (SCBs) are eligible as MLIs.

### **4. What is the duration of the Scheme?**

The Scheme would be applicable to all loans sanctioned under LGSCAS during the period from May 07, 2021 to March 31, 2023 or till guarantees for an amount of Rs.50,000 crore are issued under LGSCAS, whichever is earlier.

### **5. Whether only new projects are eligible for coverage under LGSCAS?**

The Scheme is open for assistance to new units (Greenfield projects) as well as existing eligible units going in for expansion / modernization etc. (Brownfield projects) in the sector(s) specified.

### **6. Whether it would cover loans provided by banks for covid treatment of individuals?**

No.

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

The entire funding provided under LGSCAS shall be provided with credit guarantee coverage by NCGTC under the Scheme, as per details below:

*For Greenfield projects – 75%*

*For Brownfield projects – 50%; however, projects in aspirational districts shall qualify for 75% cover;*

### **8. What will be the eligibility criteria to avail the benefit of the Scheme?**

The eligibility criteria under the Scheme are as under:

- Total loan requirement upto Rs.100 crore (including fund based and non-fund based facility) ;
- Project coming up in a non-Metropolitan area ;
- Loan being provided out of COVID Loan Book of the SCBs ;
- Project pertains to the healthcare sector for setting up of or modernisation/expansion of (i) hospitals/dispensaries/clinics/medical colleges/pathology labs/diagnostic centres; (ii) manufacturing of vaccines/oxygen/ventilators/priority medical devices; and (iii) public healthcare facilities.
- Loans provided in individual capacity will not be covered under the Scheme.

- 9. What would be the procedure followed for issue of guarantee under the scheme?**  
The borrower shall approach one of the SCB for financial support, which shall assess the project based on merits and sanction need based assistance out of its Covid Loan Book. It shall then apply to NCGTC on an IT platform to be provided for the purpose certifying certain details, based on which guarantee shall be issued.
- 10. I want to set up a new unit eligible under the scheme in New Delhi/Mumbai. Am I eligible for assistance under LGSCAS?**  
No. The Scheme is available only for projects in non-Metro areas. Hence, you are ineligible.
- 11. Which are the Metro cities in which loans are not eligible under LGSCAS?** Municipal areas of Chennai, New Delhi, Mumbai, Kolkata, Bangalore, Hyderabad, Ahmedabad & Pune. Projects coming up in the suburbs of these cities would be eligible for coverage.
- 12. I am an existing unit in the municipal area of New Delhi/Mumbai in the specified sector and propose expansion/modernization of facilities. Am I eligible for assistance under LGSCAS?**  
No. The Scheme is available only for projects in non-Metro areas. Hence, you are ineligible.
- 13. I am an existing unit in the specified sector and want to set up another unit of same/other type within the sectors specified in the scheme in a non-metro area. Am I eligible for assistance under LGSCAS and whether it shall be treated as Greenfield or Brownfield project?**  
Yes, you are eligible for assistance as per area of setting up of the project and need to meet the other terms of the scheme guidelines. Your project shall be treated as Greenfield as it is a new project.
- 14. I am an existing unit in the specified sector and want to set up another unit of same/other type within the sectors specified in the scheme in an aspirational district. What level of guarantee shall be eligible to such projects?**  
Such a project shall be treated as Greenfield project and would be eligible for guarantee coverage of 75%.
- 15. To avail LGSCAS, will it be necessary for existing loans of the borrower to be covered under any of the existing guarantee schemes?**  
No.
- 16. Will the interest rate on loans under LGSCAS be capped?**  
Yes, interest rates on loans under LGSCAS shall be capped at 7.95% p.a. during the period of guarantee cover. The MLI shall be at liberty to revise the rate thereafter as per extant guidelines.  
The Scheme may be operated in combination with applicable interest subvention scheme(s) and/or PPP-VGF scheme, as far as feasible.
- 17. Whether MLIs can charge interest rate lower than that arrived at as per EBLR (for MSMEs) or MCLR (for non-MSMEs)?**  
Yes, subject to the cap specified above.
- 18. What would be the tenor and moratorium period prescribed under the Scheme?**  
Tenor of the loan, moratorium period and other aspects like margin, commission on non-fund based limit, value of collateral etc. shall be as decided by the MLI.

**19. Is any turnaround time prescribed for MLIs under the Scheme for sanction of loans under LGSCAS?**

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.

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

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

**21. Will MLIs ask for any additional collateral for the facility sanctioned under LGSCAS?**

This is left to the discretion of the MLI. However, guarantee shall be available only on the uncovered portion of the loan.

**22. What would be the nature of guarantee under the scheme?**

The Credit Guarantee from NCGTC would be unconditional and irrevocable.

**23. What will be the risk weight assigned to the credit extended under LGSCAS?**

Approval of RBI is being requested for assigning zero risk weight to the credit amount covered under LGSCAS till the period of guarantee cover.

**24. What will be the security on credit extended under LGSCAS?**

The MLI shall have *first charge* on the assets created/to be created out of the credit extended under LGSCAS. The MLI can stipulate requirement of such other collateral as it may desire, but the guarantee shall be available only on the uncovered portion. The MLI shall ensure to create the stipulated security within agreed timelines, but in any case prior to the account turning NPA.

**25. 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.

**26. 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 and submission of all documents in support of the claim. The balance 25% will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier.

**27. What will be the procedure for settlement of claim?**

The settlement shall be done in the following 3 steps –

(i) ***NPA marking***

NPA marking module shall be made available on portal under Claim & Settlement, wherein provision would be made for NPA marking. MLI would need to mark NPA within 90 days of the account being classified as NPA.

(ii) ***Interim Claim***

The MLI shall furnish the details of the account which would include date of NPA, amount in default, status of legal action etc. in the claim lodgment page available on the portal. On submission of this claim, an e-mail shall go to the MLI that their claim has been lodged and NCGTC would initiate action to approve the claim request and arrange to pay 75% of the amount in default within 30 days of the claim date provided all requisite documents are submitted and the claim is found

to be in order and complete in all respects. This shall be treated as Interim Claim. In view of the fact that date of default for facilities under non-fund based assistance could be on different dates, multiple interim claims shall be allowed to the MLI.

The MLI shall also furnish details of the recoveries made in the account and after adjusting such recoveries towards default amount covered under guarantee and the legal costs incurred by them, remit the balance amount to NCGTC within 30 days, failing which MLI shall be required to pay the recovered amount along with interest at 2% over and above the prevailing repo rate from the date of recovery to the date of payment.

(ii) **Final Claim :**

On completion of the recovery Proceedings or till decree gets time barred, whichever is earlier, the MLI shall submit its claim for the balance 25% of the amount in default (to the extent covered under guarantee and net of recoveries, if not already remitted as above). Procedure for settlement of this Final Claim shall be the same as that of Interim Claim.

**28. Subsequent to the account turning NPA, when would legal action be considered as initiated on the part of MLI?**

Mere issue of recall notice shall not be construed as initiation of legal action. Legal action shall be considered as initiated upon filing of application in Lok Adalat/Civil Court/Revenue State Authority/DRT or after action pursuant to the notice issued under Section 13(4) of SARFAESI Act, 2002 or after admission of application under NCLT or such other action as may be decided by NCGTC from time to time.

**29. Who will issue detailed operational guidelines for LGSCAS, 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 of LGSCAS fund will have the authority to approve any changes to the structure of the Scheme/ operational guidelines.

**30. I run a business enterprise, but not in the healthcare sector. Am I eligible for setting up a project under the scheme?**

You are eligible even if you do not have a business enterprise but meet the eligibility criteria prescribed under the scheme. You may approach an MLI who shall assess the viability of the project and decide on extension or not of the eligible credit.

**31. Who would decide the creditworthiness of a project for assistance under the Scheme?**

It is for the MLI to assess the creditworthiness of the borrower and viability of the project and extend need based assistance to such projects.

**32. I am an eligible MLI having extended assistance to an eligible borrower under LGSCAS. Till what time will the guarantee be available on loan extended?**

The guarantee under LGSCAS for brownfield projects shall be available upto 2 years from the Date of Commencement of Commercial Operations (DCCO), subject to a maximum guarantee period of 5 years from the date of first disbursement. Hence, in such cases, if the commercial operations start say at the end of 2 years, guarantee shall be available upto 2 more years.

However, the guarantee under LGSCAS for Greenfield projects shall be available upto 5 years from the date of first disbursement. Hence, in such cases, guarantee shall continue to be available upto 5 years from the date of first disbursement, even if commercial

operations commences earlier. If an account turns NPA prior to the date as above and you have created the stipulated security, you shall be eligible to file guarantee claim.

**33. I am an eligible borrower having availed loan under the scheme from an MLI. At the time of appraisal, the DCCO was fixed at a certain date 3 years ahead of the first date of disbursement. Subsequently, the project got delayed and my MLI extended the DCCO by another 1 or 2 years. In such a circumstance, what would be the period till which guarantee shall be available on my loan?**

Guarantee under the scheme is available upto maximum 5 years from the date of first disbursement. Hence, guarantee to the MLI for loan extended to you would expire at the end of 5 years from the date of first disbursement.

If DCCO of your project was extended by 1 year and the period from first date of disbursement to DCCO is 4 years, guarantee on your loan would be available upto another 1 year. If, however, DCCO of your project was extended by 2 years and the period from first date of disbursement to DCCO is 5 years, guarantee shall not be available to the MLI on your loan after the revised DCCO.

**34. I am an eligible borrower having availed loan under the scheme. Till which date can I avail disbursement?**

Sanction under the scheme is valid upto March 31, 2023. Disbursement shall be made in stages as per the requirements of the project as decided by the MLI.

Last date of first disbursement shall be within 3 months of sanction of facility-however, loans which were sanctioned prior to issuance of the revised guidelines shall be allowed additional time upto 3 months from the date of issue of revised guidelines for first disbursement.

**35. What shall be the debt equity ratio prescribed for loans under LGSCAS?**

Loans under LGSCAS shall be sanctioned by the MLIs as per their guidelines. Accordingly, the DER for such loans, as also other ratios, shall be as decided by the MLI. It is, however, gathered that the DER generally prescribed by Banks is 3:1.

**36. I am a manufacturer of diagnostic/pathology laboratory equipment and propose to set up an in-house/separate Diagnostic/Pathology Test Laboratory. Am I eligible for support under the scheme?**

Yes, you are prima-facie eligible for support, subject to an MLI agreeing, based on its own assessment, to extend assistance to you under the scheme.

**37. I am a borrower requiring loan amount for setting up/modernizing of a healthcare project eligible under LGSCAS from a registered MLI. The loan requirement assessed by the MLI is Rs.150 crore. Will my loan upto Rs.100 crore (out of the sanction amount of Rs.150 crore) be covered under LGSCAS? Further, would interest rate cap stipulated for loan under LGSCAS be applicable for the loan above Rs.100 crore also?**

Loans upto Rs.100 crore shall be eligible for coverage under LGSCAS as per their guidelines. However, if a project requires higher loan amount, the MLI can sanction the same based on its own assessment, but coverage under LGSCAS shall be limited to Rs.100 crore. Further, as the balance loan above Rs.100 crore is not eligible for coverage under LGSCAS, the interest rate cap stipulated for loans under LGSCAS shall not be applicable for them.

Situation may also arise where additional loans are extended to a project covered under LGSCAS by same or other MLI subsequently during the guarantee period. The MLIs should ensure that all such loans are subordinated to the loan covered under LGSCAS with regard to repayments.

**38. As per the scheme guidelines, loans upto Rs.100 crore are covered under LGSCAS. Does the loan include working capital also?**

Yes, the loan would include working capital also.

**39. Can we as an MLI take personal/corporate guarantee for the proposed loan under LGSCAS? Will obtention of such guarantee impact guarantee coverage?**

There is no restriction on obtention of personal/corporate guarantee under the scheme. Obtention of such guarantees shall not impact guarantee coverage. Only the value of collateral security, if taken, shall be netted from the loan amount eligible under LGSCAS to arrive at the guarantee coverage. Example of guarantee coverage is given in the table below:

Amount of loan (Rs crore)	Value of Collateral Security (Rs Crore)	Guarantee cover (Rs crore)
100	20	80
150	50	100
100	0	100
150	0	100

**40. I am an eligible borrower seeking to set up eligible projects under LGSCAS at 3 different locations permitted under the scheme? Will I be eligible for guarantee coverage under LGSCAS for all the 3 projects separately?**

Yes, you are eligible to set up / modernize multiple projects separately under the scheme, provided each project is separately identifiable physically & commercially, meets the requirements of the scheme and is extended assistance by an MLI under the scheme.

**41. Who can provide answers to any further queries?**

Please address your queries/suggestions to [ceo@ncqtc.in](mailto:ceo@ncqtc.in)

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