

Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS)

Operational Guidelines

1. Name of the Scheme:

The Scheme shall be named as 'Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS)' (hereinafter referred as the 'Scheme')

2. Purpose of the Scheme:

To provide guarantee coverage for the funding provided by Scheduled Commercial Banks to eligible projects in the healthcare sector for setting up of or modernising /expanding (i) hospitals/dispensaries/clinics/medical colleges/pathology labs/diagnostic centres; (ii) facilities for manufacturing of vaccines/oxygen/ventilators/priority medical devices; (iii) public healthcare facilities.

The scheme shall provide guarantee cover to both brownfield projects and greenfield projects in the above area of operations, subject to a maximum loan of Rs.100 crore per project. The guarantee cover provided by NCGTC would be 50% (75% in case of projects coming up in aspirational districts) in case of brownfield projects and 75% in case of greenfield projects.

3. Date of commencement

Scheme shall come into force from the date of issue of these guidelines by NCGTC and shall cover all loans sanctioned on or after May 07, 2021.

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 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 in the form of fund based or non-fund based facility and is to be operated as a separate loan account.
- **“Eligible borrower”** means existing units proposing to expand/diversify/set up eligible projects or new units setting up eligible projects in areas other than the 8 metropolitan cities. The 8 metropolitan cities are municipal areas of Ahmedabad, Bangalore, Chennai, Kolkata, Mumbai, New Delhi, Pune & Hyderabad cities.
- **“Aspirational Districts”** means districts across the country identified by Niti Aayog for transformation.
- **“Member Lending Institution(s)” (MLI)**
 - Banks: All Scheduled Commercial Banks.
- **“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 and shall be as below :
*“upto 2 years from the Date of Commencement of Commercial Operations (DCCO), subject to maximum period of 5 years from the date of first disbursement, in case of brownfield projects
“upto 5 years from the date of first disbursement, in case of greenfield projects”.*

SCOPE AND EXTENT OF THE SCHEME

5. Eligible MLIs

- MLIs for this purpose shall include all Scheduled Commercial Banks (SCBs);

6. Duration

- The Scheme would be applicable to all eligible loans sanctioned during the period from May 07, 2021 till March 31, 2022, or till guarantees for an amount of Rs.50,000 crore are issued under the scheme, whichever is earlier.

7. Loan Amount eligible under the Guarantee Coverage

- The amount of funding in the projects covered under LGSCAS shall be decided by the Banks based on their internal assessment. However, maximum loan per project shall be limited to Rs.100 crore (both fund based and non-fund based included).
- MLIs would be required to open a separate account for Credit Facility extended under the Scheme.

8. Interest Rate of Credit under the Scheme

Interest Rate on loans covered under LGSCAS would be charged as per the RBI guidelines and shall be capped at 7.95 % p.a. till availability of the guarantee cover.

The Scheme may be operated in combination with applicable interest subvention scheme(s) and/or the PPP-VGF scheme, as far as possible.

9. 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;
- Risk weight for loans provided under LGSCAS shall be as decided by RBI in due course.

10. Security

- The lender shall create charge on the existing and proposed assets/securities, as per its stipulation. NCGTC shall have second charge on the assets financed under the Scheme (under both Greenfield and Brownfield projects), to be created within a reasonable period of time from the date of disbursal, but in any case before the account turning NPA. The MLI shall create charge in favour of itself and also on behalf of NCGTC and take all necessary steps to protect the interests of NCGTC.

11. Guarantee Fee

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

12. Extent of the Guarantee Coverage

- NCGTC shall provide the Guarantee coverage on the outstanding amount for the credit facility provided to borrowers under the Scheme as on the date of NPA (provided it occurs within the tenure of guarantee cover as per details below :
 - Greenfield projects in any area & Brownfield projects in aspirational districts – 75%
 - Brownfield projects in areas other than aspirational districts - 50%
- Projects (Greenfield or Brownfield) in Metro cities shall not be eligible for coverage under the scheme.

13. 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.

14. 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 MLI shall, while applying for interim claim, furnish certain details about the account which would include, inter alia, date of NPA, amount of default, status of legal action etc.
- Mere recall of 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.
- The Trustee Company shall pay 75 per cent of the guaranteed amount within 30 days of preferring of eligible interim 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. Any amount recovered over and above the total dues, including legal costs, shall be remitted to NCGTC by the MLI.

15. Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked and claim settled

Post invocation/settlement of the guarantee claim, if any recoveries are made in the account, MLIs shall first adjust such recoveries against legal costs incurred by them for recovery of the amount and its dues and shall thereafter remit to NCGTC the balance recoveries.

16. 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.

17. Responsibilities of lending institution under the Scheme

- MLIs shall provide requisite data / information to NCGTC or DFS or its constituents, as it may require from time to time.
- MLIs shall enable communication of the Scheme by highlighting the Scheme details on their website and linking to Scheme webpage.
- MLIs shall draw realistic repayment schedule and closely monitor the implementation of the project.
- MLIs shall ensure to stipulate a condition for the borrower to comply with applicable health quality regulations prescribed by relevant standards/agencies at the time of project appraisal and ensure to obtain proper certification in this regard at the time of disbursement of loan and implementation of the project.
- MLIs shall closely monitor the borrower accounts and shall put in all required efforts to ensure that the account is serviced regularly.
- MLIs shall safeguard the securities in respect of the credit facility in good and enforceable condition.
- MLIs 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 MLI to recover the entire outstanding amount of the credit from the borrower. The MLI 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 MLIs 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 MLI shall be bound to comply with such directions.
- The MLI 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 MLI 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 MLI 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 MLI 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) to the detriment of the Trustee

Company. Further the MLI 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.

18. Modifications in the Scheme

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

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