

Emergency Credit Line Guarantee Scheme (ECLGS) 2.0 announced for stressed sectors and further extended further till March 2021.

Ms. Nirmala Sitharaman, the Finance Minister, today announced 12 new stimulus measures as a part of “Atmanirbhar Bharat 3.0”. As a part of these measures, the ECLGS scheme has been extended till March 31, 2021. Last week, ECLGS 1.0 was extended till November 2020 or till Rs. 3 lakh crore has been sanctioned under the scheme (whichever is earlier). The ECLGS scheme was announced as a part of “Atmanirbhar Bharat Abhiyan” in May 2020. In addition to this, government has announced ECLGS 2.0 to provide the needed relief to stressed sectors due to covid-19.

The details of ECLGS scheme is as follows -

Details	ECLGS 1.0	ECLGS 2.0
Eligible entities	MSME units, business enterprises, individual loans for business purposes and MUDRA borrowers.	Entities in 26 stressed sectors identified by the Kamath Committee plus health care sector (with credit outstanding of above Rs.50 crore and up to Rs.500 crore).
Scheme validity	March 31st, 2021	March 31st, 2021
Outstanding/turnover limit	<ul style="list-style-type: none"> Entities with outstanding credit up to Rs. 50 crore as on Feb 29, 2020. Annual turnover up to Rs. 250 crore. 	<ul style="list-style-type: none"> Entities with outstanding between Rs.50 crore and Rs.500 crore. No upper ceiling on annual turnover.
Additional credit	Additional credit up to 20% of outstanding on Feb 29, 2020.	Additional credit up to 20% of outstanding as on Feb 29, 2020.
Sanction and disbursements till October, 2020	Sanction - Rs.2.05 lakh crore, Disbursed - Rs.1.52 lakh crore	
Days past due	Entities which were up to 60 days past due (SMA-1) as on Feb 29, 2020.	Entities which were up to 30 days past due (SMA-0) as on Feb 29, 2020.
Fully guaranteed and collateral free	Yes	Yes
Interest Rate Cap	9.25% for banks and 14.0% for NBFCs	9.25% for banks and 14.0% for NBFCs
Moratorium/Repayment	4 years repayment including 1 year moratorium (principal)	5 years repayment including 1 year moratorium (principal)

Care Rating’s view –. The scheme has been again extended as lockdowns are opening up gradually and demand is expected to increase during the ongoing festive season and the second half of FY21. The extension and launch of ECLGS 2.0 is expected to provide a further opportunity to such borrowers who have not availed the scheme so far, to obtain credit under the Scheme. The scheme is expected to provide a much needed relief by helping entities to sustain employment, meet liabilities and liquidity support to the MSME sector. It would need to be seen whether it makes sense to some of the existing borrowers which may be borrowing at a lower interest rate.

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Contact:

Sanjay Agarwal

Senior Director
sanjay.agarwal@careratings.com
 +91-22-6754 3582
 +91-81080 07676

Saurabh Bhalerao

Associate Director
Saurabh.bhalerao@careratings.com
 +91-22-6754 3519
 +91-90049 52514

Pravin Mule

Analyst – BFSI Research
pravin.mule@careratings.com
 +91-22-6754 3553
 +91-98192 80043

Mradul Mishra (Media Contact)

mradul.mishra@careratings.com
 91-22-6754 3573

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