

Govt to guarantee loans for all cos in 26 stressed sectors

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Mumbai: The government has revised its Rs 3-lakh-crore emergency credit line guarantee scheme to include fresh loans to 26 stressed sectors identified by the KV Kamath-headed committee, and healthcare sector. Earlier, the Extended Credit Line Guarantee Scheme (ECLGS) was available only to small businesses. The revised scheme extends it to stressed sectors, irrespective of turnover. However, the guarantees will be available only to loans that had an outstanding limit ranging from Rs 50 crore to Rs 400 crore as on February 29, 2020.

“What it does is that entities up to 30 days past due will get an additional credit of 20% outstanding as of that date. Even as the earlier scheme goes on, we are bringing in an additional scheme wherein the tenor of additional credit will be five years — one year of moratorium and four years of repayment and servicing,” said finance minister Nirmala Sitharaman in her press conference announcing the stimulus measures.

The earlier scheme had one year of moratorium and three years of servicing. Both the earlier and the revised scheme will be available up to March 31, 2021.

In September, the government-appointed committee, headed by veteran banker Kamath to look into restructuring of loans where borrowers had come under stress due to Covid-19, had submitted its report. In it, the committee selected 26 sectors that would need restructuring based on the panel’s analysis of financial parameters that were hit.

The sectors include power, construction, iron & steel, roads, real estate, wholesale trading, textiles, consumer durables, aviation, logistics, hotels, restaurants, tourism and mining. “We believe potentially around 40,000 entities can benefit from the scheme. However, if the overall amount stays at Rs 3 lakh crore, the overall corpus of ECLGS 2.0 could be a constraining factor,” said Soumya Kanti Ghosh, chief economist, SBI group. He added that the scheme can provide much needed relief to

stressed sectors including auto, gems & jewellery, hotel & restaurants, iron & steel, real estate, textile, etc, by helping entities sustain employment and meet liabilities.

In May 2020, the government announced ECLGS to mitigate the distress caused by the coronavirus pandemic-induced lockdown, by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs). It offered Rs 3 lakh crore collateral-free automatic loan for businesses, including MSMEs. Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnover were eligible for 20% of outstanding credit as on February 29. As of March, around Rs 14 lakh crore is outstanding to the MSME sector. The ministry said that over Rs 2 lakh crore had been sanctioned to 61 lakh borrowers and a total of Rs 1.5 lakh crore had been disbursed under the scheme.