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Comments on: ECLGS Impact – May 2021

ECLGS Prescription extended for Covid 2.0

- The Emergency Credit Line Guarantee Scheme (ECLGS) was initially launched in May 2020 in the midst of the first wave of the pandemic to provide additional collateral free credit support to MSMEs and self employed individuals.

- The ECLGS loans are being provided by both banks and NBFCs and is backed by a sovereign guarantee through "The National Credit Guarantee Trustee Company"

- The total size of the ECLGS programme currently stands at Rs 3 trillion (lakh Cr)

- ECLGS has been extended in phases from FY21 to include businesses hit by Covid:
  - ECLGS 1.0 – May 2020
  - ECLGS 2.0 – Nov 2020
  - ECLGS 3.0 – Mar 2021
  - ECLGS 4.0 – May 2021

- Validity upto Sep 2021 with disbursements till Dec 2021 or till Rs 3 trillion amount hit

ECLGS Programme – Rollout in FY21

- **ECLGS 1.0** – Borrowers with outstanding loans upto Rs 50 Cr in any sector and a non-NPA and non SMA-2 account as on Feb 29, 2020 were initially eligible for an additional 20% of the outstanding credit; the maximum loan tenor of 4 years with a principal moratorium of 1 yr.

- **ECLGS 2.0** – Extension of ECLGS for the 26 sectors earmarked by the Kamath Committee with outstanding credit of Rs 50 Cr – Rs 500 Cr would be eligible for the additional 20% with same terms except that the max loan tenor was further extended upto 5 yrs.

- **ECLGS 3.0** – Further extension to cover hospitality, travel, tourism, leisure and sporting sectors with total credit outstanding less than Rs 500 Cr; the additional amount up to 40% and the loan tenor upto 6 yrs with principal moratorium of 2 yrs.

ECLGS 4.0 – Key Elements

- ECLGS 4.0 triggered by the highly intense second wave of Covid
- Fresh loans up to Rs 2 Cr @ 7.5% to healthcare institutions for inhouse oxygen plants
- Modification in ECLGS 1.0 with another 10.0% of outstanding credit eligible for sanction and the actual loan tenor increased to 5 yrs with principal moratorium extended up to 2 yrs; providing liquidity relief over the near to medium term
- The cap of Rs 500 Cr outstanding credit under ECLGS 3.0 removed, revised cap on amount is 40% or Rs 200 Cr whichever is lower
- Civil aviation sector included under ECLGS

ECLGS – Overall Impact Analysis

- ECLGS has helped to alleviate the potential stress in corporate and MSME asset quality that was anticipated due to the pandemic.

- Sources estimate that Rs 2.5 trillion (Lakh Cr) has already been sanctioned under this programme since May 2020 with disbursements at Rs 2.4 trillion.

- Mid Corporates and MSMEs significantly impacted by Covid lockdowns, have been able to sustain operations and service debt in FY21 due to the additional funding.

- The additional 10% available under ECLGS 1.0 along with the extension of principal moratorium from 1 to 2 yrs to provide further liquidity relief over the next 1-2 yrs given the slower than expected recovery in operating cash flows.

- With civil aviation sector included among the eligible sectors, domestic airlines to witness an improvement in their liquidity position, supported by additional debt.

- The additional funding to the hospitality sector under ECLGS 3.0 slow to come in