

**Operational Guidelines for Loan Guarantee Scheme for Covid affected
Tourism Service Sector - Updated as on 25.03.2022**

1. Name of the Scheme

The Scheme shall be named as 'Loan Guarantee Scheme for the Covid affected Tourism Service Sector (LGSCATSS)' (hereinafter referred as the 'Scheme')

2. Purpose of the Scheme

To provide guarantee coverage for loans provided by Scheduled Commercial Banks to registered Tourist Guides (recognized/ approved by M/o Tourism and State Govts/ UT Administrations) and Travel & Tourism Stakeholders recognized/ approved by the Ministry of Tourism, Govt. of India, under the new Loan Guarantee Scheme for the Covid affected Tourism Service Sector, to discharge liabilities and restart their business affected due to Covid -19 pandemic.

This scheme will be subject to a maximum loan of Rs.10 lakhs each for Travel & Tourism Stakeholders and upto Rs.1.00 lakh each for registered Tourist Guides. The guarantee cover provided by NCGTC would be 100% in all cases.

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 that date, as specified in para-2 above.

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 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 facility and is to be operated as a separate loan account.
- **"Eligible borrower"** means all registered Tourist Guides (recognized/ approved by M/o Tourism and State Govts/ UT Administrations) and Travel & Tourism Stakeholders recognized/ approved by the Ministry of Tourism, Govt. of India.
- **"Travel & Tourism Stakeholder"** means Tour Operators/ Travel Agents/ Tourist Transport Operators recognized/ approved by the Ministry of Tourism, Govt. of India.
- **"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.
- **“Moratorium period”** is the time during a loan term when the borrower is not required to make any repayment of principal installments. However, interest upon the loan amount disbursed is payable.
- **“Guarantee cover”** means the maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution.
- **“Tenure of guarantee cover”** means the maximum period of guarantee cover and shall be co-terminus with the tenor of the loan under the scheme.

“Moratorium period of One year on the Principal amount shall be provided to the borrowers, during which interest shall be payable”.

“Period of repayment of loan amount would be upto 5 years from the date of first disbursement”.

SCOPE AND EXTENT OF THE SCHEME

5. Eligible MLIs

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

6. Eligible borrowers

- Loan will be provided to individuals as well as Business Enterprises constituted as Proprietorship, partnership, registered company, trusts and LLPs (limited Liability Partnership) or any other legal entity shall be eligible under the scheme.
- Tourist Guide and Travel and Tourism Stakeholders not having borrowing relationship with Scheduled Commercial banks (SCBs) but eligible under the scheme shall also be eligible for assistance under the scheme. They may approach any SCB for support under the scheme.
- Borrowers having existing relation with a Scheduled Commercial Bank (SCB) may proceed for borrowing money from that particular bank under this scheme. This mechanism is being opted, to make the Loan process smoother, faster, hassle- free and also to reduce the additional paper work (such as KYC etc.) required by the banks while lending. However, such of the borrowers who do not have any existing relationship with a SCB registered with NCGTC under the scheme, may also approach any Scheduled Commercial Bank registered

- with NCGTC under the scheme and avail benefit under the scheme.
- iv. If the target beneficiary has already availed benefit under ECLGS 1.0 or 3.0, he shall have to close/ pay off the dues under ECLGS, before applying for coverage under LGSCATSS scheme of the M/o Tourism. Likewise, if an eligible borrower has availed assistance under LGSCATSS, he shall have to close/ pay off the dues under LGSCATSS, before applying for coverage under ECLGS.

7. Validity

The scheme is valid till 31st March, 2023, or till guarantees for an amount of Rs. 250 crores are issued under the scheme, whichever is earlier.

8. Duration

The Scheme would be applicable to all eligible loans sanctioned on or after issuance of these guidelines by NCGTC till 31st March,2023, or till guarantees for an amount of Rs.250 crores are issued under the scheme, whichever is earlier.

9. Loan Amount eligible under the Guarantee Coverage

- i. The amount of guarantee cover would be subject to the loan amount requested by the beneficiary as stated in para-2 above; however, shall be restricted to maximum of Rs.10.00 lakh each in case of recognized/ approved Travel & Tourism Stakeholders and upto Rs.1.00 lakh each for registered Tourist Guides.
- ii. MLIs would be required to open a separate account for Credit Facility extended under the Scheme.

10. Interest Rate of Credit under the Scheme

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

11. Nature of account and Tenor of Credit under the Scheme

- i. A separate loan account should be opened for the borrower, distinct from the existing loan account(s), for coverage under the Scheme;
- ii. Risk weight for loans provided under LGSCATSS shall be as decided by RBI in due course.

12. Security

The lender shall create charge on the existing and proposed assets/securities of the Travel and Tourism Stakeholders; however, no collateral shall be insisted upon. NCGTC shall have second charge on the assets financed under the Scheme, to be created in favour of MLI on behalf of NCGTC 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.

13. Guarantee Fee

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

14. Applicable charges and collaterals

There will be no processing charges, no foreclosure / prepayment charges and no requirement of additional collateral. Scheme to be administered by the Ministry of Tourism through NCGTC.

15. Extent of the Guarantee Coverage

NCGTC shall provide 100% Guarantee coverage on the outstanding amount for the credit facility provided to borrowers (recognized/ approved Guides & Travel & Tourism Stakeholders as stated in para-2 above) under the Scheme.

16. 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.

17. Record keeping of beneficiaries

A dedicated portal will be made to capture data on application received, approved, etc.

18. Mechanism for payment settlement with NCGTC would be as under:

- i. NCGTC would open an account specifically for this purpose;
- ii. NCGTC would demand for funds in each financial year and amount approved for each financial year would be transferred directly to NCGTC;
- iii. NCGTC would accordingly settle the claims of NPA/ bad loans received from the Scheduled commercial banks, after following due process;
- iv. NCGTC would submit quarterly report, detailed statement of the default loans, budget utilized, balance amount, etc. to the Ministry of Tourism
- v. Budget provision would be made on a progressive basis over a period of five years depending quantum of NPA amount.

19. Invocation of guarantee

- i. 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;
- ii. The claim shall be settled in two stages — interim claim at stage 1 after initiation of legal action and final claim later on as explained below.
- iii. There shall be lock in period of 1 year from the date of last disbursement to individual borrower, during which period no claim shall be allowed.
- iv. 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.

- v. 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.
- vi. 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 3 years after issue of decree/recovery certificate, whichever is earlier. Any amount recovered over and above the total dues, including legal costs, shall be remitted to NCGTC by the MLI.

20. 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.

21. Agreement to be executed by the lending institution

- i. 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.
- ii. All interested and eligible MLIs are required register themselves with NCGTC for the purpose of this Scheme.

22. Responsibilities of lending institution under the Scheme

- i. MLIs shall provide requisite data / information to NCGTC or DFS or M/o Tourism or its constituents, as it may require from time to time.
- ii. MLIs shall enable communication of the Scheme by highlighting the Scheme details on their website and linking to Scheme webpage.
- iii. MLIs shall draw realistic repayment schedule and closely monitor the implementation of the project.
- iv. MLIs shall ensure to stipulate a condition for the borrower to comply with applicable health quality regulations described 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.
- v. MLIs shall closely monitor the borrower accounts and shall put in all required efforts to ensure that the account is serviced regularly.
- vi. MLIs shall safeguard the securities in respect of the credit facility in good and enforceable condition.
- vii. 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.

- viii. 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.
- ix. 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.
- x. 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.
- xi. 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.
- xii. Second claim under the guarantee may be considered after conclusion of recovery process or 3 years after issue of decree/recovery certificate, whichever is earlier. NCGTC would submit status report of the same on annual basis and will return the recovered amount in relevant head to the M/o Tourism.

23. 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 LGSCATSS Fund.

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

25. Any major changes in the guidelines will be made in consultation with the D/o Financial Services, D/o Expenditure & NCGTC and with the approval of Minister-in-charge.
