

यूनियन बैंक
ऑफ इंडिया



Union Bank
of India

भारत सरकार का उपक्रम

A Government of India Undertaking



Credit Policy & MSME Department, Central Office

Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai 400021

INSTRUCTION CIRCULAR:2023-2020

09th April 2020

TO ALL BRANCHES/OFFICES

**Management of Credit Portfolio -
COVID Emergency Line of Credit Scheme**

1. We refer to IC no. 1971-2020 dated 26.03.2020 vide which COVID Emergency Loan for MSE (CELMSE) scheme was issued. Further, vide IC No. 1973-2020 dated 26.03.2020 COVID Emergency Line of Credit (CELC) Schemes was issued. The schemes were launched for financing the liquidity mismatch for existing borrowers, arising out of COVID-19 outbreak.
2. The above mentioned two schemes i.e. CELMSE and CELC (erstwhile) are withdrawn with immediate effect and the details are already circulated vide Instruction circular no. 2022-2020 dated 09.04.2020.
3. A comprehensive scheme: COVID Emergency Line of Credit (CELC) with further attractive features is designed to meet the temporary liquidity mismatch arising out of COVID-19 crisis.
4. The COVID Emergency Line of Credit (CELC) scheme is introduced, with revised features, to support business units affected by COVID-19 pandemic and to also ensure that employees do not suffer any wage loss.
5. The CELC scheme contains:
 - Detailed Scheme Guidelines is appended in Annexure I.
 - Format for Sanction of CELC Loan, along with case examples is appended in Annexure II.
 - The Undertaking letter format is provided in Annexure III.
6. The subject scheme shall be effective from the date of issue of this circular across the amalgamated entity.
7. Field Functionaries are requested to effectively market the scheme and ensure timely help to the eligible borrowers.




(C M Minocha)
General Manager


Annexure- I

Sl. No.	Parameter	Details
1.	Name of the Facility	Covid Emergency Line of Credit (CELC): Covid 19 (Novel Coronavirus). Rationale: To tide over the liquidity mismatch of our existing borrowers, arising out of COVID 19 outbreak.
2.	Eligible Borrowers	a. The Scheme will be operational Pan India. b. All existing Fund Based Working Capital Limits (FB limit only) irrespective of sector/ constitution. c. All Standard accounts including SMA-0, SMA-1 on the date of sanction irrespective of internal rating. (SMA-2 are not eligible). d. This facility should be given only to the going concern borrower as on date of sanction. e. NBFCs/HFCs/MFIs/Bank shall not be covered under the scheme.
3.	Purpose	To meet the temporary liquidity mismatch arising out of COVID-19 crisis involving payment of statutory dues, salary/wages/electricity bills/rent etc.
4.	Quantum of Finance	A. Limit: i. Maximum 10% of the existing limits (FBWC only) with a cap up to maximum amount of Rs 50 Crore. Wage Bill: In case of financing the wage bills, actual wage expenses for previous year as per the latest available financials (audited financials for applicable units) to be reckoned as base. Further, the actual wage bill payments for ensuing 3 months (including contractual labour) to be ascertained from the borrower. Lower of the two (i.e. Wage expenses of Previous Year or Actual Wage Bill) to be considered for financing the wage bill. Maximum of 3 months' wage bill can be considered for financing under this scheme. For E.g. The actual wage bill for previous financial year as per the financials submitted is say Rs 12.00 lakh, the average monthly wage payout works out at Rs 1.00 lakh and for three months Rs 3.00 lakh. Further, the actual wage bill for the ensuing 3 months submitted by the borrower is say Rs 3.50 lakh. The loan amount to be considered for wage bill shall be Rs.3.00 lakh (i.e. Lowest of the two). a. In case of wage bills, the loan amount to be digitally disbursed/ transferred to employees accounts on monthly basis, advance or at the end of the month as per sanction terms. List showing employee details, their account numbers, wage amount etc to be provided by borrower on monthly basis. No cash disbursement shall be allowed. b. In case of Consortium account, if the majority of members i.e. more than 50% by way of exposure decide to sanction additional credit facility/ Term Loan under this dispensation, the decision of the majority will be binding on the entire consortium and will have to be treated as deemed NOC and no separate NOC from the member bank will be required.



Sl. No.	Parameter	Details
		<p>c. Existing customers, who have availed/ sanctioned 'SME Plus'/ Union Standby Line of Credit (Union SLC) / EOL/ Adhoc/ Erstwhile CELC/ Erstwhile CELMSE in such case total additional exposure including the present facility (CELC) should not exceed 25% of the exposure as detailed above.</p> <p>d. Branch to obtain DP Note and undertaking from the borrower prior to disbursement of loan (Format of Undertaking is provided as Annexure III).</p> <p>e. A time period of 60 days may be allowed for perfection of securities (Format of Undertaking is provided as Annexure III). In case the same is not done bank will have right to recall the advance under this scheme along with penal provision of 2% interest beyond 60 days.</p> <p>f. No ADHOC to be allowed over and above the aforesaid facility. Only in exigent & genuine cases the delegation for same is vested with CAC II & above at CO.</p> <p>B. Disbursal & Repayment:</p> <p>i. The borrower can avail the sanctioned amount in one go or in tranches. The entire loan under the scheme has to be repaid within the maximum period of 24 months including moratorium of 6 months.</p> <p>ii. Borrower may make early repayment and NO prepayment charges will be levied.</p> <p>iii. If the loan is not repaid as per the repayment schedule, 2% penalty shall be levied as per the extant guidelines.</p> <p>C. The facility will be considered as an exposure on the borrower and guidelines stipulated under the RBI Prudential Norms shall be adhered to.</p> <p>D. The facility shall be made available primarily as Fund Based Limit.</p>
5.	Facility Type	Term Loan Tenor: 24 months (including moratorium)
6.	Margin	<p>Nil</p> <p>The proposed limits should be fully covered by the value of the stocks and receivables as per the Stock statement.</p> <p>Due to new sanction of CELC, the overall margin on the working capital borrowing shall be reduced automatically. However, this reduction can be permitted up to margin level of 13% of primary security, in order to maintain the current ratio of 1.15. In any case, margin should not be diluted below 13%.</p>
7.	Validity of Scheme	The effective date of the scheme shall be upto 30.06.2020. (Drawdown will be permitted upto 31.07.2020, either in single or maximum of 3 tranches).



Sl. No.	Parameter	Details																				
8.	Security / Guarantee	Hypothecation of stocks and receivables. / Extension of charge on the Primary Security / Collateral security. No additional Collateral to be asked. Guarantee: Extension of existing Personal/ Corporate guarantee of promoters/ concern/ group concerns/ guarantors, as applicable.																				
9.	Repayment	Repayable in 18 equal monthly installments after a moratorium period of maximum 6 months from the date of disbursement of the loan. Interest to be served as and when debited to the account. Penal interest provisions will be applicable for the limit sanctioned under <i>CELC</i> : Covid 19 facility.																				
10.	Interest Rate	8.00% (fixed)																				
11.	Appraisal	i. The limit will be over and above the assessed Banking finance. ii. <i>CELC</i> : Covid 19 facility to be made available at the specific request of the borrower. iii. The sanctioning authority to access that business is adversely impacted due to cash flow mismatch. iv. At the time of reassessment of entire exposure/limit, the limits under <i>CELC</i> (Old and modified)/CELMSE will be subsumed within the revised limit. v. IRAC norms as stipulated shall be applicable.																				
12.	Disbursal	a. The Term Loan sanctioned under <i>CELC</i> : Covid 19 facility is to be disbursed to the credit of regular CC limit or otherwise directly to the Salary account of the employees. End use of fund to be monitored by branch at all time. b. The end use of the facility is to be ensured as it is meant for meeting the financial requirement of the borrower in connection with the running of the unit as per sanction terms.																				
13.	Delegation	The additional sanction of 10% of FBWC will fall under the delegation power of same sanctioning authority under whose delegation the existing facility was sanctioned. Kindly note with sanction of additional facility under <i>CELC</i> (maximum @10%) the total exposure may exceed the delegation power as stipulated in policy on delegation of loaning powers at various levels. For sanctioning of <i>CELC</i> , such usage of delegation shall not be construed as breach. <i>For e.g.</i>																				
		<table border="1"> <thead> <tr> <th>Existing Delegation power (Amt)</th> <th>Existing Sanctioning Authority</th> <th>Proposed Additional under <i>CELC</i></th> <th>Proposed Total Exposure</th> <th>Proposed sanctioning Authority</th> </tr> </thead> <tbody> <tr> <td>Rs 0.75 Cr</td> <td>BH: Scale 3</td> <td>0.075 Cr</td> <td>0.825 Cr</td> <td>BH: Scale 3</td> </tr> <tr> <td>Rs 15.00 Cr</td> <td>SLCC:1</td> <td>1.50 Cr</td> <td>16.50 Cr</td> <td>SLCC:1</td> </tr> <tr> <td>Rs 25.00 Cr</td> <td>RLCC:1 (DGM)</td> <td>Rs 2.50 Cr</td> <td>27.50 Cr</td> <td>RLCC:1 (DGM)</td> </tr> </tbody> </table>	Existing Delegation power (Amt)	Existing Sanctioning Authority	Proposed Additional under <i>CELC</i>	Proposed Total Exposure	Proposed sanctioning Authority	Rs 0.75 Cr	BH: Scale 3	0.075 Cr	0.825 Cr	BH: Scale 3	Rs 15.00 Cr	SLCC:1	1.50 Cr	16.50 Cr	SLCC:1	Rs 25.00 Cr	RLCC:1 (DGM)	Rs 2.50 Cr	27.50 Cr	RLCC:1 (DGM)
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With regard to process flow of proposals under CELC, proposals of IFB, MCB shall be directly submitted to LCV / MCV respectively.

Note:

Usually following cases are forwarded to next higher authority for sanctioning. However, for sanction of CELC same need not be sent to next higher authority in case of following:

- Account sanctioned/ enhanced/ad-hoc given in last 6 months.
- CIBIL-CMR rating as available/ generated afresh to be ignored for this facility.

Sr. No.	Parameter	Details
14.	Documentation	Applicable documents as per Bank's guidelines are to be obtained.
15.	Commitment Charges	Not applicable
16.	Processing charges/ Documentation Charges	Nil
17.	Prepayment Penalty	NIL
18.	Account Label and scheme code	All accounts to be flagged as COVID19 in Finacle. All Loans under the scheme to be opened under Scheme Code - TL009.
19.	Reporting/Monitoring	a. All the sanctions under the scheme are to be reported to the respective authority in M-27 statements on monthly basis as per extant guidelines and Monthly Monitoring reports as per prescribed periodicity. Further, sanction of <i>CELC: Covid 19</i> facility along with regular limits should be reported along with regular sanction in M-27 statement. Hence it is clarified that separate reporting under M-27 statement is not required on disbursement of <i>CELC: Covid 19</i> limit by the branch as per sanction terms. b. In case of non-adjustment of limit on due date, strict follow-up should be made for recovery of overdue amount and the same should also be immediately reported to Regional Office and in the monitoring reports. c. The flow of the proposal/disposal in the scheme is to be closely monitored by special Covid cell being functional at RO level.
20.	Other Conditions	While considering / releasing this facility at branch level it is to be strictly ensured that: a. Justification for allowing <i>CELC: Covid 19</i> facility to be put on record by the Branch/ Sanctioning Authority. It should be ensured that the requirement is need based. b. The adjustment of limits to be monitored as per the extant Credit Monitoring Policy of the Bank. c. The facility not to be utilized for adjustment/takeover of borrowings availed from other Banks/FIs. d. Further, Borrower has to submit the request for availment of <i>CELC: Covid 19</i> limit to the branch with justification / reason



		<p>thereof and same should be acceptable to the bank.</p> <p>e. Enterprises engaged in speculative activities/Real Estate activities/NBFC/MFI/HFCs/Bank are not eligible for finance under this scheme.</p> <p>f. A suitable undertaking to be obtained from the borrower with regard to end use of fund and that the amount will be used for the business purpose for which original limit was sanctioned.</p> <p>g. All other terms and conditions as per extant guidelines of the Bank to be complied.</p> <p>h. Branch must be assured that the customers are in stress due to genuine reason arising out of Covid -19 outbreak and otherwise operations in the accounts are satisfactory. There should not be any diversion of funds from their account for the purpose other than which it was approved.</p> <p>i. Funds must be utilized for business purposes like payment of statutory dues, procurement of raw materials, payment of creditors, etc. The business proposals should be otherwise viable and it should do well after dispensation of CELC: Covid 19 facility.</p> <p>j. CELC: Covid 19 facility may result in dilution of existing security coverage, the same will not affect the pricing / modalities of existing schemes.</p> <p>k. Records such as pre / post sales, inflow of stock & book debts, bills / vouchers if applicable, any other proof should be kept in file and provided for audit.</p> <p>l. All existing terms and conditions of existing regular sanction to be applicable for limits allowed under the scheme.</p>
21.	Relaxation	Any other relaxation in the scheme norms may be approved by CAC-II and above on case to case basis.



Annexure II**FORMAT FOR SANCTION OF COVID EMERGENCY LINE OF CREDIT****NOTE FOR SANCTION OF COVID EMERGENCY LINE OF CREDIT (CELC)**

Borrowing Units Profile:

1	Name of the Branch		Code	
2	Regional Office/ Zone			
3	Cust ID			
4	Name of the Unit:			
5	Constitution			
6	Date of Incorporation			
7	Segment			
8	Whether Govt. Undertaking/PSU	Yes/ No.		
9	Company Details			
a	CIN			
b	TAN			
c	GST No			
d	LEI No			
10	Ownership/Group			
11	Borrowing entity dealing with us since			
12	Group dealing with us since			
13	Activity	Non-Trade/Trade/Services		
14	Details of Activity			
15	Industry			
16	Promoters Details			
a	Chairman/MD/ Directors with DIN number			
b	Promoters/CEO/CFO			
17	17 Addresses:			
a)	Registered Office			
b)	Corporate Office			
c)	Works(Major Locations)			
18	Brief History of the Unit/ Borrower/ Management / Promoters (Max 20 lines / 4000 characters):			
19	Reasons for requiring facility under CELC:			

1. PROPOSAL FOR CONSIDERATION:

To consider sanction of term Loan/ Demand loan of Rs._____ (Rupees _____) to provide liquidity support to the company affected by COVID-19 Pandemic.



A. Exposure to the Borrower (Existing & Proposed)

(Amount In Rs.)

Limits	Existing			Proposed			Change	
	Our bank	%	Total Cons/ MBA/Syndication	Our bank	%	Total Cons/ MBA/Syndication	Our bank	Total Cons/ MBA/Syndication
Total FB-WC (i)								
Total FB- TL (ii) @								
Total FB (i+ii=A)								
Total NFB- WC (iii)								
Total NFB TL (iv)								
Total NFB (iii+iv)=B								
Total exposure (A+B= C)								
Exposure from the Banking System								

B. Credit Limits (Company & groups)

Exposure	Company		Group	
	Existing	Proposed	Existing	Proposed
Fund Based				
Non-Fund Based				
Investments				
Total exposure				

C. Conduct of Account

Nature of Facility	Limit with our Bank	Outstanding	Irregularity, if any

2. BORROWER / ACCOUNT INFORMATION:

a	Asset Classification (CRILC) (with us & other lenders) IRAC status	
b	Status as on date of sanction	

3. SECURITIES: (PRIMARY/COLLATERAL):**4. ASSESSMENT:**

(Amount in Rs. lakh)

Existing exposure (A) (FBWC only)	
Eligibility (B) i.e. 10% of A (Maximum)	
Request of the borrower for the additional limit (C)	
Permissible Limit B or C whichever is less (D)	



5. **MARGIN:** - NIL-

6. **RATE OF INTEREST:** 8.00% (Fixed)

7. **REPAYMENT:** A moratorium of ____ months from the date of first disbursement is provided, thereafter repayment in _____ equal monthly installments. Interest to be serviced as and when applied including during moratorium.

8. **Terms and Conditions:**

- i. The facility not to be utilized for adjustment/takeover of borrowings availed from other Banks/FIs.
- ii. An undertaking will be obtained from the borrower with regard to end use of fund and that the amount will be used for the business purpose for which original limit was sanctioned.
- iii. All other terms and conditions as per extant guidelines of the bank to be complied with.
- iv. There should not be any diversion of funds from their account for the purpose other than which it was approved.
- v. Funds must be utilized for business purposes like payment of statutory dues, procurement of raw materials, payment of creditors, etc. The business proposals should be otherwise viable and it should do well after dispensation of *CELC*.
- vi. Records such as pre / post sales, inflow of stock & book debts, bills / vouchers if applicable, any other proof should be made available provided for audit.
- vii. All other terms and conditions as per the circulars on *CELC* are to be adhered to.

9. **RECOMMENDATION:**

Date:
Place:

Signature of Recommending Authority
Designation:
Name:

Comments of sanctioning authority:-	
Sanctioned Rs. _____ (Rupees _____)	
Date: Place:	Signature of Sanctioning Authority Designation: Name:



Detailed Terms & Conditions

Facility	Term Loan/ Demand Loan
Limit (Rs.)	
Purpose	To meet the liquidity crunch and cashflow mismatch on account of outbreak of COVID-19
Loan Tenor	___ months
Moratorium	___ months
Repayment Schedule	___ monthly installments starting from the date of first disbursal
Rate of Interest	8.00% (fixed)
Margin	NIL
Security documents	
Security Detail	Primary
	Collateral
Other Terms & conditions	

SANCTIONED / DECLINED

Date:

Place:

Signature of Sanctioning Authority

Designation:

Name



EXAMPLE-1 on assessing COVID EMERGENCY LINE OF CREDIT

Sl. No	Narration	Amount
1.	Existing exposure (FBWC Only)	Rs. 10 Crs
2.	Approved Margin on stocks & receivables	20%
3.	Value of stock and receivable	Rs. 12.50 Crs
4.	Advance Value	Rs. 10 Crs
5	Existing Drawing Power (DP)	Rs. 10 Crs
6.	Term Loan/ Demand Loan under COVID CELC (_____% of existing Limit) (Maximum 10%)	Rs. 1 Cr
7.	Margin on CELC	NIL
8.	Total Limits (1+6) (Existing + CELC)	Rs.11 Crs
9.	Maximum Permissible DP after CELC (5+6)	Rs.11 Crs

EXAMPLE-2 on assessing COVID EMERGENCY LINE OF CREDIT

Sl. No	Narration	Amount
1.	Existing exposure (FBWC only)	Rs. 10 Crs
2.	Approved Margin on stocks & receivables	20%
3.	Value of stock and receivable	Rs. 10 Crs
4.	Advance Value	Rs. 8 Crs
5.	Existing Drawing Power (DP)	Rs. 8 Crs
6.	Term Loan/ Demand Loan under COVID CELC (_____% of existing Limit) (Maximum 10%)	Rs.1 Cr
7.	Margin on CELC	NIL
8.	Total Limits (1+6) (Existing + CELC)	Rs.11 Crs
9.	Maximum Permissible DP after CELC (5+6)	Rs.9 Crs



Annexure III

UNDERTAKING LETTER FROM BORROWER/S

From

To

Union Bank of India

Date:

Place:

**SUB: REQUEST CUM UNDERTAKING LETTER FOR DISBURSEMENT OF LOAN
REF: YOUR SANCTION _____ DATED _____**

In light of the liquidity / cash flow mismatch on account of the present outbreak of COVID-19, at my/our request, Union Bank of India vide Sanction Memorandum _____ dated _____ has sanctioned a fresh Term Loan of Rs _____, (strike off whichever is not applicable) on various terms and conditions contained in the said Sanction Memorandum.

We hereby convey our acceptance to the terms and conditions contained in the above said Sanction Memorandum and request you to release the limit/loan as sanctioned.

Since the payment of Stamp Duty on the loan documents/agreements is not practically possible in view of the lock down announced by the Central Government / State Government, I/we request you to release the loan sanctioned and I / We hereby agree, undertake and confirm as follows:

1. That necessary approval has been taken from the Board of Directors/General Body for availing the above said additional loan (Clause may be included as applicable).
2. That the availment of above said loan is in tune with the Memorandum and Articles of Association of the Company (Clause may be included as applicable).
3. That the existing securities created in favour of the Bank by way of Hypothecation / Pledge / Mortgage shall continue as security new loan sanctioned also.
4. That I/we shall not create further charge on the securities mentioned in the above said Sanction in favour of any Bank/Financial Institution/person without prior approval from you.
5. That the release/disbursement of the Fresh Limits/Loan to my/our Loan Account shall be deemed as my/our acknowledgement of receipt of the above additional facility sanctioned to me/us.
6. That the funds will be utilised for the business purpose for which original limit was sanctioned. Funds shall not be utilised for any speculative purpose.
7. That I/we shall execute the necessary loan documents including creation of securities as prescribed by the Bank within 60 days from the date of disbursement.

I/we hereby agree to keep the Bank indemnified for any loss or damages that the Bank may suffer or incur on account of the sanctioning/disbursing the above said credit facilities to me/us.

Signed, sealed and delivered by the
within named BORROWER and GUARANTOR

