



TREASURY/ED(F)/ C-2064 /2008-09

DATE : 27-08-2008

CIRCULAR No: 829

Sub:	Revision in interest rates on Term Loans
Ref:	1. Earlier interest circular No.ED(F) – 796 & 819 dated 27-09-07 & 05-08-08 respectively. 2. Lending Policy.

In view of increasing trend in the interest rates by banks and other financial institutions, it has been decided to effect the upward revision of interest rate by 50 basis points and 100 basis points to certain categories of loans as indicated in the Annexure.

The revised interest rates shall be applicable to all cases of **first disbursements made on or after September 1, 2008.**

It may also be noted that in order to encourage the ISO accredited units, the Corporation has been offering an additional rebate of 0.50% on fresh sanctions to ISO certified units vide Circular No.ED(F)-819, dated 05-08-2008.

In respect of all the cases sanctioned but not disbursed as on 01-09-2008, the Branch Managers at Branch Offices and DGM (Credit) at Head Office should ensure that modified communications are issued and correct rates of interest are indicated in the loan documents.

The contents of this circular shall be brought to the notice of all the concerned in your office.

Sd/-
MANAGING DIRECTOR

To:
All Branch/Zonal Managers/IA Cells
All Departmental Heads/Principal Officers in HO
All General Managers
Executive Directors

LIBRARY



**KARNATAKA STATE FINANCIAL CORPORATION
HEAD OFFICE: BANGALORE.**

Annexure to Circular No.ED(F) 829

Interest Rate Table (Term Loans) effective from 01-09-2008.
(Earlier interest revision vide circular No.ED(F).796 & 819)

SL No.	Category of borrowers/loans	Revised interest rates (%)		
		Gross	Rebate	Net
1	Term loans above Rs.50,000/ and up to Rs.2,00,000/- and other than loans indicated at Sl.No. 3 , 4 & 5.	15.00	1.50	13.50
2	a. All Term Loans (including WCTL) over Rs.2,00,000/- to MSMEs, b. Acquisition of ISO accreditation, c. SRTOs and Acquisition of private vehicles, d. Tourism related activities: Amusement parks, Convention Centers, Restaurants, Travel & Transport, Tourist Service Agency, Hotels & Restaurants, Mobile Canteen/Catering, e. Health Care Services: Assistance to Doctors/Qualified Medical Practitioners, Nursing Homes/Hospitals, Electro Medical Equipment. f. Assistance to qualified professionals: Management Professionals, Medical Professionals, Accounting Professionals, Architects & Engineers, Veterinary Clinics. g. DG Sets, Mobile Generators, h. Office Automation i. Training Institutions.	15.50	1.50	14.00
3	a. Construction / Buying Commercial Complexes, b. Construction activities like Residential Apartments, Villas, Group housing, Lay out formation, c. Shopping Complexes, d. Industrial Estates, e. IT Software Parks, Ready built office space, Construction/Buying Ready built show rooms and Sales outlets, Development Maintenance and Construction of Roads. f. Professional Education Institutes.	16.50	1.00	15.50
4	Corporate loans, AMARA scheme, Bridge loans , Finance to existing assets, Entertainment industry(including films), Rental Discounting scheme.	16.00	1.00	15.00
5	Privileged Entrepreneurs Scheme	14.50	-	14.50



Notes to the above interest rate structure:

I REBATE AND CONCESSIONS:

A. General:

- In case of RSR loans, additional concession of 0.50% will be provided in the interest rate.
- Additional Rebate of 0.50% can be extended for:
 - a) Credit Rated Clients with a rating of AAA, which is equivalent to 'Lowest Risk' i.e.'LL' as per Credit Risk Analysis Models.
 - b) Fresh sanctions to ISO certified units, made on or after 01-08-2008.
- Rebate for prompt payment shall be provided in two slabs of 1% and 1.5% as indicated in the interest table.
- The rebate will be allowed on current interest for the prompt payment of both principal and interest rate payment and on or before due dates for the respective quarter.

B. Rebate and Concession for SC/ST Entrepreneurs:

The loans to Scheduled Caste entrepreneurs will be sanctioned at the above applicable rates. However, effective rate to these entrepreneurs will be 4% p.a. after the difference between the lending rate and effective rate of 4% p.a. will be met by the GoK as per the KSFC Circular No 786 dated 30.03.2007. For Scheduled Tribe entrepreneurs the interest rates are applicable as indicated in the interest rate table.

C. Maximum Cap on Rebate:

The over all rebate allowed to any unit under different categories shall not exceed 2.00%.

II PENAL INTEREST:

Penal interest of 2.5% p.a. over and above applicable interest will be charged in case of default on the defaulted amount for defaulted period to all categories of borrowers.

III LOAN OUTSTANDING TO DETERMINE INTEREST RATE:

While applying the interest rate, the total loan outstanding (i.e., existing and proposed loan) will be the criteria for deciding the rate of interest.

IV DEFERRED PAYMENT IN CASE OF SALE U/S 29 of SFCs ACT:

The rate of interest for deferred payment liability in case of sale of assets will be the highest current rate of interest, even if the aggregate loan is less than Rs.2.00 lakhs.

V TRANSFER OF LOAN LIABILITY:

The original contract rate of interest will continue to apply in case of transfer of loan liability.