

Ref : KSFC/HO/MD/ED(F)/793/ 2009-10

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CIRCULAR No.875

Sub : Scheme for financing wine manufacturing industries.

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Considering the market potential for financing of wine manufacturing units, a note was placed before the EC in its meeting held on 20.08.2009 for implementing a new scheme for financing wine manufacturing units by the Corporation. The EC after deliberations approved the implementation of the scheme. The details of the scheme is enclosed at Annexure-I.

This shall be brought to the notice of all the concerned in your office / department.

Sd/-
MANAGING DIRECTOR

All BMs
All ZMs / DGMs of Super 'A' Branches / IA cells
All Principal Officers / Section Heads in HO
All General Managers
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SCHEME FOR FINANCING OF WINE MANUFACTURING INDUSTRIES

1.Introduction :

Karnataka presents tremendous opportunities in wine market. The climate and soil condition in some parts of Karnataka are suitable for growing wine grapes. Further, considering the growth trend in wine market of 20 – 25% in India, there is a scope for establishment of new wineries and wine manufacturing industries in the State of Karnataka. KSFC being a leading lending institution for MSMEs, proposes to tap this market by financing such projects.

2.Objective:

The overall objective of the scheme is to promote wine manufacturing units in MSME sector in the State of Karnataka by providing financial assistance to them thereby helping the farmers to get better market / price for their products.

3.Eligible Borrowers:

Sole Proprietorships, Partnerships, Cooperative Societies, Private and Public Limited Companies etc.

4.Extent of Finance:

Upto 75% of the fixed assets in the cost of project and maximum assistance is as per the prevailing lending policy.

5.Promoters' Contribution:

Minimum contribution of 33% of the project cost by the promoter.

6.Debt Equity Ratio*

Minimum 2 : 1

*Central / State subsidies, wherever available are to be treated as equity for the purpose of calculation of DER. However, they are not to be treated as part of Promoters' contribution.

7. Debt Service Coverage Ratio:

The average DSCR between 1.5 : 1 to 2 : 1 is accepted as reasonable norms.

8. Collateral Security:

First charge on the assets financed under the scheme shall be obtained. Apart from this, collateral security to the extent of 50% of the loan amount earmarked towards land and building and 100% of the loan amount earmarked towards acquisition of plant and machinery.

9. Interest rate:

The rate of interest applicable to the term loans for MSMEs shall be charged for the loans under the scheme. In case of default, a penal interest of 2.5% p.a. over and above the gross rate of interest is applicable on the default amount for the period of default.

10. Repayment period:

Upto 8 years (including moratorium period of 2 years).

11. Other Guidelines:

- The unit should be located in the jurisdiction of Nandi / Krishna Valley proposed by the Government of Karnataka.
- The location of the unit should be converted for non-agricultural purpose.
- Apart from registration from Horticulture Department, the unit should obtain PRC from I&C Department and license from the Excise Department.
- The wine manufacturer should have a tie up with farmers for production and supply of wine grapes for the proposed project.
- The unit should obtain clearance from PCB for establishing the unit.
- Since this is a working capital oriented industry, the arrangement made for working capital requirements is to be ensured while sanctioning the term loan.
- Registration with KBCL for marketing the products in Karnataka and other marketing arrangements.
- Other usual terms and conditions applicable to sanction of term loan shall apply to this loan also.