

CIRCULAR No.885

Sub : MoU between KSFC and KIADB.

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A joint meeting between MD of KSFC and CEO & EM of KIADB along with the senior officers of both the institutions was arranged on 14.12.2009 to address the common issues of KIADB and KSFC. After deliberations both KSFC and KIADB have come to an understanding with a view to resolve the common issues pertaining to both the institutions. Based on the understanding arrived at an MoU was signed by MD, KSFC and CEO & EM, KIADB. The Executive Committee in its meeting held on 15.12.2009 has approved the implementation of the said MoU. A copy of the same is enclosed herewith.

All the BMs and concerned HODs at HO are advised to follow the guidelines / procedures strictly as indicated in the MoU entered into between the two institutions. Further, KIADB has suggested that while publishing the sale notifications in the news papers by KSFC in respect of the land allotted by KIADB on lease-cum-sale basis, it is appropriate to mention in the sale notification that the right, title and interest of the allottee under the lease-cum-sale agreement is being sold. This shall be ensured while issuing sale notifications.

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

Encl: As above.

Sd/-
MANAGING DIRECTOR

All BMs
All ZMs / DGMs of Super 'A' Branches / IA cells
All Principal Officers / Section Heads in HO
All General Managers
Library

Executive Directors - for information

MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN KIADB AND KSFC

This **Memorandum of Understanding** is entered into BY and BETWEEN Karnataka State Financial Corporation (a Statutory body established under the State Financial Corporations Act 1951) having its head office at KSFC Bhavan, No.1/1, Thimmaiah Road, Bangalore – 560052 hereinafter for brevity's sake referred to as **KSFC ON THE FIRST PART** and KARNATAKA INDUSTRIAL AREAS DEVELOPMENT BOARD, a Government of Karnataka autonomous body having its Head Office at No. 14/3, 2nd Floor, R.P. Building, Nrupathunga Road, Bangalore 560 001, hereinafter for brevity's sake referred to as **KIADB ON THE SECOND PART**.

Whereas, KSFC and KIADB are Corporation / Board set up by the Government of Karnataka with a view to achieve Industrialisation in the State of Karnataka.

Whereas, KIADB is a State owned autonomous body established for the orderly establishment and development of industries in the State. Whereas, KSFC is a State Financial Corporation set up by the Government of Karnataka to provide financial assistance to entrepreneurs for setting up and implementing the projects conceived by them.

Whereas, both KSFC and KIADB have the common objective of ensuring that the entrepreneurs of Karnataka get land and financial assistance for setting up their projects. Both KSFC and KIADB have been working in tandem for the past several years. However, the Institutions are now facing difficulties in cases where original KIADB land allottee having availed financial assistance from KSFC, defaults to KSFC resulting in KSFC taking over the land together with building and transferring the same to the auction purchaser under Sec.29 of SFC's Act, to recover its dues. Hitherto in such cases there was no formal understanding as to how the transfer should be recognized and acted upon by KIADB, more particularly on the difference in cost of land to be paid in such cases.

Both KSFC and KIADB have come to an understanding with a view to resolve the issues arising in such cases.

NOW THIS MEMORANDUM OF UNDERSTANDING WITNESSES:

In consideration, KSFC being the financier to the units/allottees on the land allotted by KIADB on lease cum sale basis, after obtaining NO Objection Certificate from KIADB to obtain mortgage of the said land.

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1. In the event of the unit financed by KSFC becoming defaulter in repayment of its dues, KSFC is entitled to exercise its rights under Sec.29 of the SFC's Act and take over possession of the land allotted by KIADB under lease cum sale agreement. It is agreed that KSFC can sell such land under Sec .29 of SFC's Act. After such sale, KSFC would write to KIADB requesting them to transfer the right, title and interest in land sold in favour of the purchaser. KIADB shall in all such cases transfer the leasehold rights of the land to the persons identified by KSFC. KIADB shall levy the actual cost of land and not the present value while transferring the leasehold rights of the land in the name of the purchaser. The difference in the allotment rate and the actual cost with interest from the date of intimation of the dues either to the KSFC or to the allottee and other dues, if any shall be borne either by the KSFC or by the purchaser.

2. KIADB also agrees that during the lease period it shall accord permission to the allottees to offer the land allotted as security for the loans sanctioned by KSFC. However, in all such cases the projects should have been implemented by the allottee and the land must be utilized as per the terms of the lease cum sale agreement between the allottee and KIADB. Further, in all such cases, KSFC before obtaining the property as security, obtain No Objection Certificate from KIADB for taking the said property for security and thereafter KSFC shall create second charge on the said property, since KIADB always will have first charge on the said property.

3. It is agreed between KIADB and KSFC that in cases where KSFC has financed the purchase of land from KIADB and in the event the allottee is yet to implement the project as per the allotment conditions of KIADB and if KIADB cancels the allotment of the original allottee, in such cases KSFC is entitled to take over the land and sell the same for recovery of its dues. The KSFC shall pay to the KIADB out of the sale proceeds, the difference in cost between the rate of allotment and the actual rate with interest and other dues, if any, from the date of intimation of the dues either to the allottee or to the KSFC as the case may be. On receipt of the said amount either from the KSFC or from the purchaser, KIADB agrees to transfer the leasehold rights of the land in favour of the purchaser to whom the land is sold by KSFC.

4. KSFC agrees that during the currency of the lease period, if any proposal is received from the entrepreneurs for change of management / constitution / use of land / product, such change shall be considered by KSFC only after obtaining written consent / NOC of KIADB according to its norms for such changes.

5. KSFC shall ensure that the auction price of the land portion shall not be less than the current rate of allotment of KIADB.

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6. KSFC shall ascertain latest dues position from KIADB before putting the property for auction and finalizing the auction proceedings in favour of the auction purchaser, since auction purchaser will have to pay the additional amount over and above the auctioned price at the time of execution of lease cum sale agreement with KIADB, to avoid short payment due to non ascertaining of the latest dues position from KIADB.

7. KIADB will levy the interest on the difference in cost of land, lease rentals, maintenance charges, water supply arrears, etc., from the date of intimation of dues to the KSFC/original allottee till the date of receipt of payment either from KSFC or from the auction purchaser.

Signed, sealed & Delivered
On behalf of KIADB

Sd/-,
(T. SHAM BHATT)
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE MEMBER

Signed, sealed & delivered
on behalf of KSFC

Sd/-,
(KAUSHIK MUKHERJEE)
MANAGING DIRECTOR

WITNESSES:

Sd/-,
1. Ashok R.Manami,
General Manager, KIADB.

Sd/-,
2. Dr.S.S.Chandrashekar
Executive Director(F),KSFC.

Place: Bangalore
Date:14.12.2009