



IMPORTANT

CIRCULAR NO.914

Sub: Partnering with IDBI Bank Ltd.

The Board of Directors of the Corporation in their meeting held on 24/05/2010 approved the draft MoU entered into with IDBI Bank Ltd., for joint funding and working capital support for assisted units of KSFC. Accordingly, the MoU has been signed by the Corporation with IDBI Bank Ltd., on 20th July 2010. The main objective of the MoU is to extend timely and need based financial assistance to SMEs on mutually agreed terms where term loans are lent by KSFC and working capital assistance will be extended by the IDBI Bank Ltd., provided the loan proposals are credit worthy and subject to independent due diligence by both the institutions.

The MoU entered into between the two institutions is enclosed herewith for ready reference. While the MOU gives broad guidelines of the association between KSFC and the IDBI Bank, detailed working guidelines have now been formulated and are listed hereunder for implementation by the Head Office and all the Branch Offices. In pursuance to the MoU, following working guidelines are issued:-

- On receipt of loan proposals for term loan and working capital assistance, the HODs/ BMs to invite / inform the jurisdictional officers of IDBI Bank Ltd., to participate in the Project Clearance Committee Meetings where the proposal involves working capital funding by the IDBI Bank Ltd.
- The loan proposals need to be deliberated upon and finalised as per the lending policy in force in the Corporation. The agenda papers for the meeting shall be sent to IDBI Bank in advance. The decision of the PCCM need to be minuted and circulated with a copy of the proceedings sent to jurisdictional office of IDBI Bank Ltd.
- After the loan proposal for term loan and working capital assistance is cleared by the PCCM, the HODs /BMs to ensure that the promoters file loan applications to KSFC for term loan and working capital requirement to IDBI Bank simultaneously for necessary facilities.
- At the same time, projects where the term loan required is Rs.50.00 lakhs and above shall be sent to credit rating of agencies for their independent rating. Instructions on this have already been circulated. In addition to SMERA and ONICRA, CRISIL has also been empanelled.
- The HODs / BMs shall co-ordinate with the jurisdictional officers of IDBI Bank in preparing the loan proposal memorandum in consonance with the decision taken in the PCCM. The copies of the documents collected during the appraisal stage relating to primary assets consist of land, building, equipment details viz., legal documents, allotment letters, plan approval, estimates, quotation of machineries, collateral documents, net-worth statements related



documents, Bankers' opinion and all other information shall be shared with IDBI Bank to avoid duplicity in promoters submitting similar documents / information to IDBI Bank.

- The conditions and requirements stipulated in the PCCM shall be complied including the discussions held with IDBI Bank and the outcome of the discussions minuted and incorporated in the loan memorandum and submitted to competent authority for sanction.
- After sanction of term loan by the competent authority or any observations / conditions stipulated by the competent authority shall be informed to IDBI Bank and the COS issued with a copy to IDBI Bank.
- HODs /BMs to co-ordinate with IDBI Bank to ensure that need based working capital is sanctioned to the unit. They must collect the details of working capital assistance finalised by the IDBI Bank and the communication of sanction issued and terms & conditions stipulated and to document it in the loan file.
- HODs /BMs to send the loan proposal sanctioned to pre-audit by IA department. After obtaining clearance from IA department, the proposal be referred for documentation.

SECURITY:

- The term loan assisted by KSFC shall be covered by security norms as prescribed in the Lending Policy of our Corporation. IDBI Bank shall have pari-passu charge on these assets only when they extend working capital assistance to the unit.
- IDBI Bank shall have an option to securitise their working capital assistance based on their risk perception. The quantum of collateral security will be determined by IDBI Bank. KSFC shall have pari-passu charge on this collateral.

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- KSFC will have pari-passu charge on current assets financed by IDBI Bank.
- If there is surplus security available with KSFC, IDBI Bank may be permitted to reckon the same towards assessment of the collateral security for working capital assistance.

DOCUMENTATION PHASE:

- HODs / BMs to ensure that the documentation is completed in consonance with the terms of sanction of term loan and working capital assistance and the securities are on pari-passu basis in consultation with IDBI Bank or its authorised representative. The documentation be completed by KSFC and a set of documents executed passed on to the IDBI Bank with due acknowledgment by the legal officer who completes the documentation. All the original documents shall be retained in safe custody of legal department of HO / BO.
- After completion of documentation certified by the legal officer of KSFC, the same is required to be confirmed in writing by the legal officer and thereafter referred to disbursement with a copy to IDBI Bank Ltd.
- HODs / BMs to prepare a detailed Pre Disbursement Inspection Report (PDIR) to ensure that the promoters have brought in their margin monies and complied with the FIC requirement supported by a CA Certificate.



- The documents collected during the course of disbursement and disbursement details be shared with IDBI Bank periodically by forwarding copies of documents collected including PDIR, CA Certificate etc., till implementation of the project.
- HODs / BMs to ensure and co-ordinate with IDBI Bank of the releases made by the Bank towards need based working capital component and the details of releases are collected at regular intervals and documented in the loan file.
- The details of working capital assets available at the unit shall be collected from the IDBI Bank and also through inspection of the unit by recovery officers of the Corporation regularly once in a month.
- The detailed recovery measures proposed are incorporated in the MoU are for strict compliance and it shall be ensured that any recovery action / legal action initiated is in consultation with IDBI Bank and the recovery informed at regular intervals.

The terms & conditions of MoU are the guiding factor and it is expected that this scheme will help extend single window assistance of term loan and working capital to the right project at the right time to the right promoters for the overall industrial development of the State of Karnataka.

Sd/-,
CHAIRMAN & MANAGING DIRECTOR

TO:

All BMs
All ZMs/DGMs of Super "A" Grade Branches / IA Cells
All Principal Officers / Section Heads in HO
All General Managers
Library

Executive Director (O) : For information
Executive Director (F) : For information.