



Ref No.KSFC/ED(F)/660/2008-09

Date 31.07.2008

**CIRCULAR No.817**

**Sub: Single Window Scheme / Working Capital Term Loan**

The Single Window Scheme (SWS) is in vogue in the Corporation since 1991. In 1997 the scheme was comprehensively reviewed and certain checks and balances were put in place to ensure quality credit dispensation. Ever since then, there has been substantial improvement in the quality of Working Capital Term Loan (WCTL) accounts sanctioned by the Corporation. However, there have been requests from many quarters, particularly from the Industries Association as also from the clients of the Corporation for enhancing the limits of assistance under SWS / WCTL. The matter has been examined in detail. Similar schemes that are in prevalence in SIDBI and APSFC have been consulted. Keeping the above into consideration, two schemes to extend working capital assistance to MSMEs in the form of working capital term loan are designed and put into operation in the Corporation with immediate effect. The details of the said schemes are enclosed to this circular. The general guidelines covering these schemes are also explained in the enclosure. Out of the two schemes that are referred to above and put into operation, the first scheme is a Single Window Scheme for new units which involves sanction of both term loan and working capital term loan and in the second scheme, there is provision to extend WCTL without the pre-condition of availing the term loan component.

The delegation of powers are also indicated in the circular. The HoDs and BMs are advised to give effect to the above schemes with a great measure of caution and a sense of propriety. Please note that the sanctions under the schemes are subject to pre-audit before disbursement. With these schemes in place, you should be able to meet the needs of the MSMEs comprehensively and this should enable a significant growth in the volumes of business to the



Corporation. In so far as the Corporate Loan Scheme and the Privileged Entrepreneurs Scheme, this is to clarify that there are no changes.

Sd\  
MANAGING DIRECTOR

All the Principal Officers / Section Heads in HO  
All the ZMs / BMs / DGMs of ZOs / BOs / IA Cells  
All the GMs  
EDs – for infn.



## **SCHEME FOR FINANCING OF WORKING CAPITAL TO MICRO, SMALL AND MEDIUM ENTERPRISES**

### **I. FOR NEW UNITS – SINGLE WINDOW SCHEME – **SCHEME-I:****

#### **1.1 Objective :**

The objective of the scheme is to provide timely and adequate working capital assistance to micro, small and medium enterprise (MSME) along with term loan for fixed assets for entrepreneurs setting up new projects by KSFC.

#### **1.2 Eligibility:**

All new MSMEs to be engaged in the manufacture or production, processing or preservation of goods i.e., manufacturing enterprises, where the total venture outlay (including the total working capital requirements) does not exceed Rs.100 lakhs.

#### **1.3 Limits on working capital term loan (WCTL) :**

Minimum assistance : Rs.2.00 lakhs per unit;

Maximum assistance : Rs.30.00 lakhs per unit.

The WCTL component under the scheme should not normally exceed the term loan component. In case there are justifiable reasons to exceed, the explicit approval of next higher level loan sanctioning authority should be obtained.

#### **1.4 Promoters' contribution:**

- (a) Minimum 25% of the total venture outlay in respect of loans upto Rs.10.00 lakhs (TL+WCTL);
- (b) Minimum 33% of the total venture outlay in respect of loans above Rs.10.00 lakhs (TL+WCTL);



### **1.5 LAFD, upfront fee, rate of interest and other charges for WCTL:**

On par with the term loan component.

### **1.6 Repayment period:**

Term loan : 5 to 8 years (including the moratorium)

Working capital term loan : Not exceeding 5 years (including moratorium of six months from the date of first disbursement of WCTL)

### **1.7 Debt Equity Ratio :**

(a) In respect of loans upto Rs.10 lakhs (for both TL & WCTL) DER should not exceed 3.00 : 1.00.

(b) In respect of loans above Rs.10 lakhs (for both TL & WCTL) DER should not exceed 2.00 : 1.00.

### **1.8 Security :**

Term loan : As applicable under prevalent Lending Policy.

WCTL:

(a) Charge on the current assets being financed;

1. Minimum 100% collateral security as per prevalent Lending Policy.

(b) Irrevocable and unconditional personal guarantees of promoter directors / corporate guarantee to be obtained wherever applicable.

### **1.9 Time limit for availing the assistance:**

a) **Term loan** : As per the implementation period; but in any case not exceeding 24 months from the date of sanction;



b) **WCTL** : Not exceeding 6 months from the date of commencement of production by the assisted units. The working capital facility shall be released in suitable instalments for building up of inventories to facilitate timely commencement of production and adequate build-up of capacity thereafter.

## II. WORKING CAPITAL TERM LOAN FOR EXISTING UNITS-**SCHEME-II**:

### **2.1 Objective :**

The objective of the scheme is to provide timely and adequate working capital assistance to the existing micro, small and medium enterprises (MSME) who have availed term loans earlier from the Corporation, having proven track record.

### **2.2 Eligibility:**

Existing MSMEs engaged in the manufacture or production, processing or preservation of goods i.e., manufacturing enterprises, who have availed term loans earlier from the Corporation, having proven track record. The existing units which have availed the WCTL under SWS earlier from the Corporation are also eligible for additional WCTL. Availing of a term loan is not a pre-condition for granting eligible WCTL under this scheme.

### **2.3 Limits on working capital term loan (WCTL) :**

Minimum assistance	: Rs.2.00 lakhs per unit;
Maximum assistance	: Rs.100.00 lakhs per unit.

### **2.4 Promoters' contribution:**

- (a) Minimum 25% of the working capital estimation in respect of loans upto Rs.10.00 lakhs (including existing loan outstanding, if any);
- (b) Minimum 33% of the working capital estimation in respect of loans above Rs.10.00 lakhs ( including existing loan outstanding, if any);



### **2.5 LAFD, upfront fee and rate of interest for WCTL:**

LAFD	:	0.5% of the loan amount + service tax;
Upfront fee	:	0.5% of the loan amount + service tax;
Rate of interest p.a. (prevailing)	:	15.5% - 1.5% (rebate) = 14.0% (net) + 2.5% (penal interest)

### **2.6 Repayment period:**

Not exceeding 5 years (including moratorium of six months from the date of first disbursement of WCTL)

### **2.7 Debt Equity Ratio (overall):**

- (a) In respect of loans upto Rs.10 lakhs ( including existing loan outstanding if any) DER should not exceed 3.00 : 1.00.
- (b) In respect of loans above Rs.10 lakhs ( including existing loan outstanding if any) DER should not exceed 2.00 : 1.00.

### **2.8 Security :**

- (a) Charge on the current assets being financed;
- (b) Minimum 100% collateral security as per prevalent Lending Policy;
- (c) Irrevocable and unconditional personal guarantees of promoter directors / corporate guarantee to be obtained wherever applicable;
- (d) Further mortgage of primary assets of the unit, if it is already secured to the Corporation. In case, the earlier loan is closed and the charge on the primary assets is released, the charge on the existing assets should be created afresh.



The existing primary assets (immovable) may be taken towards collateral security requirements.

**2.9 Time limit for availing the assistance:**

Within 3 months from the date of loan sanction.

**2.10 Other guidelines (For Scheme-II):**

- (a) The unit should be in existence with a minimum period of operation of three years.
- (b) The unit should be working profitably and net-worth should be positive.
- (c) The units which are presently enjoying term loan / working capital loan from any other commercial banks / financial institutions are not eligible under the scheme.
- (d) In case of existing units which have availed working capital from banks, ensure that the working capital account is closed and all the assets offered as security are free of encumbrance.
- (e) Takeover of the working capital loans from other commercial banks / financial institutions is to be generally discouraged. However, in exceptional cases the takeover of the accounts (which are regular in repayment and in standard category with Banks and FIs) may be considered on merit of the case after ensuring the satisfactory dealings of the unit with the commercial banks / financial institutions with the prior approval of concerned GMs.
- (f) In respect of the accounts where the earlier loans are closed, the WCTL may be considered, if the earlier dealings with the Corporation were satisfactory. In respect of live accounts, WCTL may be sanctioned only if the account is regular in repayment, in standard category and dealings with the Corporation are satisfactory. In respect of rescheduled cases, WCTL may be sanctioned only after ensuring the account is upgraded to standard category.



### III.GENERAL GUIDELINES – APPLICABLE FOR SCHEMES I & II:

#### **3.1 Method of assessment of WCTL:**

- ⑨ The assessment of working capital requirement can be done both as per Projected Turnover basis (Nayak Committee) and traditional method. If the working capital requirement based on production / processing cycle is higher than the one assessed on projected turnover basis, the WCTL may be restricted to 20% of the projected turnover. On the other hand, if the assessed credit requirement is lower than the one assessed on projected turnover basis, the actual working capital requirement as per the traditional method may be considered.

In short, the assessed WCTL should not exceed 20% of the estimated annual turnover during the year of optimal operation. While so assessing, the trade credits, wherever available shall be taken into account.

Any relaxation in this condition for the genuine proposals if any, shall have the explicit approval of the ED(F) in respect of BO cases and ED(O) in respect of HO cases.

- ⑨ In respect of existing units, the projected turnover shall not generally exceed 200% of the average sales turnover of the previous two years. However, in exceptional cases like major expansion / modernisation of the unit, the higher projected turnover may be considered with proper justification.

#### **3.2 Delegation of powers:**

(a) The delegation of powers for sanction of WCTL is as under:

<b>Sl. No</b>	<b>Sanctioning Authority</b>	<b>Sanctioning powers</b>
1	Sanction committee at 'B' Grade Branch Offices	Within the Overall limit of sanction i.e., Rs.30.00 lakhs
2	Sanction committee at 'A' Grade Branch Offices	Within the Overall limit of sanction Rs.50.00 lakhs
3	Sanction Committee chaired by DGMs	Within the Overall limit of





	of Super 'A' Grade Branch Offices/ ZMs	sanction i.e., Rs.60.00 lakhs
4	Sanction Committee chaired by GMs	Within the Overall limit of sanction i.e., Rs.80.00 lakhs
5	Sanction Committee Chaired by MD/CMD at Head Office	Within the Overall limit of sanction i.e., Rs.100.00 lakhs

(b) The delegation of powers for disbursement of WCTL is as under:

The branch managers are empowered to disburse the WCTL subject to the compliance of conditions mentioned in forthcoming paras.

### **3.3 Disbursement of WCTL:**

(a) No release should be made before implementation of the original / revised project.

(b) As the WCTL is backed by 100% collateral security, upto 50% of WCTL sanctioned may be released in proportion to the working capital margin brought in by the promoters towards acquiring / creation of current assets with a condition that the unit should submit utilisation certificate along with the required informations like stock statements, bills and receipts etc., within 30 days from the date of disbursement.

(c) Balance 50% of WCTL shall be released only after ensuring the following:

- Submission of utilisation certification along with other required information, for the disbursement made earlier as above;
- Inspection / verification by the officers of the Corporation about the proper utilisation of the WCTL already disbursed;
- The entire promoter's working capital margin as envisaged in the project is brought in towards current assets;



- There should be a minimum gap of 30 days between first and subsequent disbursements;
- The second / subsequent disbursement of WCTL may be made in advance subject to ensuring the proper utilisation of earlier disbursements.
- The final inspection report should be submitted by the disbursement officer within 30 days from the date of last disbursement.
- All the disbursements should be made through the current account of the unit with the commercial bank as declared at the time of loan sanction.

### **3.4 Monitoring of WCTL:**

- (a) All the units who have availed WCTL from the Corporation shall be visited atleast once in two months by the officers / officials of the Corporation who should record his/her observations about the working status of the unit in the case sheets in addition to the visit reports.
- (b) The BM should visit the WCTL assisted units atleast once in six months and record his observations on working condition, capacity utilisation, stocks and other current assets position.
- (c) The ZM should visit the WCTL assisted units (where the aggregate WCTL sanction is more more than Rs.10 lakhs of live accounts) atleast once in a year and record his observations on working condition, capacity utilisation, stocks and other current assets position.
- (d) The loanee is required to submit quarterly stock statements in the format which is in vogue on or before 10<sup>th</sup> July, 10<sup>th</sup> October, 10<sup>th</sup> January and



10<sup>th</sup> April. Non-submission of the stock statements in respect of aggregate WCTL sanctioned (live accounts) is above Rs.10 lakhs, entails a penalty of Rs.500/- per quarter.

- (e) The additional working capital loan may be sanctioned only after ensuring the excellent track record of the unit for a minimum period of two years, provided such units have repaid atleast 50% of principal portion of WCTL. Any relaxation in these conditions for the genuine proposals if any, shall have the explicit approval of the ED(F) in respect of BO cases and ED(O) in respect of HO cases.

### **3.5 Others :**

- (a)The WCTL / additional WCTL shall be need based.
- (b) In respect of existing units, the borrower shall submit income tax / sales tax assessment order in support of the turnover and profits achieved in addition to the annual reports / audited balance sheets and profit & loss accounts,where the WCTL sought is more than Rs.10 lakhs.
- (c) The BMs while processing / forwarding the WCTL applications shall obtain all the required particulars keeping the above guidelines in view.
- (d) In respect of existing units, the branch shall conduct a pre-sanction inspection of the units covering the details of unit's working, details of fixed assets available, installed capacity and capacity utilisation. The pre-sanction shall be conducted before accepting the proposal at branch. Wherever it is found necessary, the loan sanctioning authority may also inspect the unit.



- (e) It is mandatory that the property proposed to be offered as collateral security shall be identified, inspected, valued and marketability shall be examined by the branch as per norms before sanctioning the loan.
- (f) The promoter shall execute the required security documents in favour of the Corporation as per the prevailing norms.
- (g) Wherever there is a negative working capital margin, a condition shall be stipulated to invest the short fall amount together with the required margin before disbursement of the WCTL.
- (h) Wherever unsecured loans are raised by the borrower, a condition shall be stipulated in the COS that the unsecured loan shall not be repaid during the tenure of the WCTL and same shall be sub-ordinate to the Corporation's WCTL.
- (i) Existing units presently enjoying working capital limits with any bank / financial institution are ineligible for assistance under these schemes. Such proposals may however be examined under the corporate loan / privileged loan scheme of the Corporation as per norms.
- (j) The guidelines on valuation of collateral security may be followed as per Circular No.816 dated 22.07.2008 / prevailing lending policy.



- (k) The surplus value in unit's land and building can be taken as part of collateral security, where the value of land and building is higher than 125% of the present outstanding subject to the condition that the account is regular in repayment.
- (l) All proposals under these schemes shall be pre-audited by IA department before disbursement.

Sd/-

**MANAGING DIRECTOR**