

CIRCULAR No.886

Sub : Delegation of powers in respect of loan disbursement.

There has been delegation of powers in respect of loan sanctioning which has been issued already by Circular dated 22.07.2008. Consequently, the existing delegation of powers in respect of loan disbursement was revisited. Upon review it is decided to cause the following delegation of powers in respect of loan disbursement.

1.1 LOAN DISBURSEMENT/ISSUE OF COMMITMENT LETTER:

The Branch Managers in respect of BO cases and GM (Credit) in respect of HO cases are authorised to disburse sanctioned loans subject to fulfilling all the conditions of sanction as prescribed by the sanctioning authority and against security created. However, minor conditions like non-receipt of proof for having submitted IT returns, submission of renewed licence, confirmation of working capital arrangements and appointment of skilled persons, may be relaxed provided these conditions are complied with before the release of the last 30% of the loan amount. In the event of the non-availability of the above officers, higher authority is authorised to cause disbursements as above.

1.2 Relaxation in First Investment Clause (FIC) :

There shall be no relaxation in the implementation of the FIC in deference to the terms of sanctions. However, on case to case basis, on merits, the FIC may be relaxed by the Zonal Managers in respect of BO cases and GM (Credit) in respect of HO cases subject to a maximum of 30%.

1.3 Pre-inspection (Adhoc Release) :

The Branch Managers and GM (Credit) are authorised to effect release of term loans on adhoc basis at a time subject to temporary relaxation in security margin up to the extent of 10% in respect of primary assets, provided the short fall in the security margin is made good before the next release.

1.4. Change in location/land and buildings :

(a) Change in location of loan shall be approved by the concerned Sanctioning Authority. However, in respect of HO cases where sanction is accorded by the EC/Board, the MD shall be the Approving Authority.

(b) Minor deviations in building up to 25% of the approved area for all sanctions can be considered on case to case basis on merits. However, in all such cases where there are deviations from the approved plan, the promoter shall give an undertaking that the deviation shall be regularised by the appropriate authority and the promoter shall also execute an indemnity bond indemnifying the Corporation of all the losses.

1.5 Change in technical know how and engineering services :

The concerned loan Sanctioning Authority can approve changes in technical know how and engineering services. The Managing Director is the Approving Authority in respect of the EC/Board cases and Executive Director (O) is the Approving Authority in respect of cases sanctioned by the Managing Director/Sanction Committee. The Executive Director (F) is the Approving Authority for the HO cases sanctioned by the Managing Director/Sanction Committee and files transferred to Branch Office for disbursement.

1.6.Change in machinery supplier :

The Branch Managers are authorised to approve the changes in the machinery/supplier in respect of cases sanctioned at the branch and also cases transferred to Branch Office from Head office for disbursement. In respect of Head Office cases, DGM (Credit) shall approve the changes in machinery/supplier.

1.7. Change in management/constitution/promoters/share-holding patterns, etc, during implementation:

(a) For all limited companies and partnership firms any changes in share holding pattern with original promoters retaining share holding up to 51%, the Approving Authority will be Branch Managers/DGM (Credit) subject to the condition that there is no dilution of security, networth and release of personal guarantees consequent to change.

(b) Beyond 51% change in the share holding pattern of the promoters/change in management, constitution, promoters and share holding patterns, etc, during implementation, the Managing Director shall be the Approving Authority in respect of cases sanctioned by EC/Board. The Executive Director (O) shall be the Approving Authority in respect of cases sanctioned by the Managing Director/ED (O)/Sanction Committee cases. The Executive Director (F) shall be the Approving Authority in respect of cases sanctioned at Head office and transferred to Branch Office for disbursement as also cases sanctioned by ED (F)/Sanction Committee.

While processing the files for the above said matters, the concerned officers should exercise due diligence and ensure that at no point the comforts available to the

Corporation are diluted in the form of securities or guarantees. The changes as above should invariably be beneficial to the Corporation and the same shall be explicitly explained and stated on the relevant case file.

1.8. Changes in collateral security and PGs :

(a) Changes in collateral security and PGs in respect of Board/EC sanctioned cases, the Approving Authority is the Managing Director.

(b) In respect of MD/ED (O)/HO cases sanctioned by Sanction Committee, ED (O) is authorised to approve changes in collateral security and PGs.

(c) In respect of BO cases sanctioned by ED (F)/Sanction Committee and BO cases sanctioned in HO and file transferred to BOs for disbursement, ED (F) is authorised to approve changes in collateral security and PGs.

(d) In respect of BOs cases sanctioned by Sanction Committee chaired by GM (NZ/SZ), respective GMs are authorised to approve changes in collateral security and PGs.

(e) In respect of BOs cases, concerned ZMs are authorised to approve.

However, while considering the changes in collateral security and PGs, the approving authorities shall exercise due diligence as also comply with the following points:-

(a) Ensure that the account is not in default.

(b) The quality of collateral security in terms of locational importance, saleability value etc., is not compromised. Similarly, the PG proposed to be replaced shall possess equal or better networth compared to the earlier PG.

1.9.Revalidation of loans :

Sl.No.	Loans	First Release	Last Release
1	Term loan/additional term loans	Within 6 months of loan sanctions	Within 2 years of loan sanction
2	a) W.C.T.L – SWS	Within 6 months from the date of project implementation	Within 2 years of loan sanction
	b) Only W.C.T.L	Within 3 months	Within 6 months
3	Corporate loan	Within 3 months	Within 6 months

In case any major amount stands un-disbursed even after the expiry of the validity

period of two years from the date of sanction, the validity period may be extended subject to the condition that the promoter utilises the undisbursed amount and completes the project without seeking additional loan. This revalidation can be done by the BMs/DGM (Credit). For such revalidation, the prescribed upfront fee has to be collected afresh and the rate of interest as applicable as on the date of revalidation or the earlier contract rate, whichever is higher, shall be made applicable for the revalidated amount. However, the revalidated period shall be reasonable so as to allow the promoter to complete the project.

1.10. Diversion of funds

The diversion of savings from one head to other and also from machinery to civil works or from civil works to machinery can be considered subject to :

- (a) If the unit has already acquired major part of machinery.
- (b) The savings are identified clearly ;
- (c) Justification for diversion ;
- (d) No further financial commitment from the Corporation for completing the implementation of the project.

The Branch Managers are authorised to approve the changes in diversion of savings in respect of cases sanctioned at the branch and also in respect of cases transferred to Branch Office from Head office for disbursement. In respect of Head Office cases, the DGM (Credit) shall approve the diversion of funds.

1.11. Cancellation/limitation of loan :

The Branch Managers are authorised to limit/cancel the loan in respect of cases sanctioned at the branch and also cases transferred to Branch Office from Head office for disbursement. In respect of Head Office cases, the DGM (Credits) shall limit/cancel the loan. The above is subject to the following conditions :

- (a) The sanctioned term/additional loans shall be cancelled if the first release is not effected within 6 months from the date of loan sanctioned.
- (b) To limit the loan to the extent drawn after a period of two years from the date of loan sanction and to refix the instalments in respect of amount drawn if it is less than 80% of amount sanctioned subject to the condition that the unit is in a position to generate sufficient cash surplus. In case the project is abandoned, action may be initiated to recover the loan amount disbursed. Further, any portion of the loan remaining undrawn after a period of two years from the date of loan sanction shall

lapse automatically.

1.12. Issue of NOC/release of charges :

The Branch Managers are authorised to issue NOC/release of charges for residential flats, apartments and commercial complex. In respect of HO cases, the GM (Credit) is authorised to issue NOC/release of charges for residential flats, apartments and commercial complex. However, this is subject to the condition that the promoter pays proportionate loan amount plus 25% of the proportionate loan amount thereon. There should not be any interest overdue and the validity period for NOC should not exceed the overall repayment period fixed for repayment of term loan.

1.13. Issue of NOC for ceding 2nd charge/3rd charge to Banks and Financial Institutions :

During the course of disbursement if the promoter comes up with a request for ceding 2nd charge/3rd charge in favour of Banks and other Financial Institutions, the Branch Managers are authorised to issue NOC for ceding 2nd charge/3rd charge in favour of Banks and other Financial Institutions. The DGM (Credit) is authorised to issue NOC for ceding 2nd charge/3rd charge in favour of Banks and other Financial Institutions in HO cases.

The above delegation of powers shall come into vogue with immediate effect.

Sd/-
MANAGING DIRECTOR

To :

All Branch Managers

All the IA Cells

All the Zonal Managers/ DGM's of Super `A' Grade Branches.

All Principal Officers/Section Heads in HO

All General Managers

Executive Directors ... for information

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