

CIRCULAR No: 936**Sub: Revision in interest rates on term loans**

Ref: Previous interest rate Circular No ED (F) 907 dated 03.06.2010

The SIDBI has increased the refinance interest rates by 25 basis points with effect from 21.04.2011 and by another 100 basis points with effect from 10.05.2011. Keeping in view the increase of 125 basis points in refinance rate by the SIDBI and also the present upward trend in lending rates in the market, the Board in its meeting held on 27.05.2011 has revised the term loan lending rates by 50 basis points for MSME sector (loans under SI No 1 in the interest rate table) and Micro Finance Activity and by 100 basis points for other categories of loans. **The revised interest rates shall be effective for all first disbursements** (including the loans sanctioned under JICA scheme) **made on or after 10.06.2011**. In respect of the loans sanctioned but not yet disbursed, the Branch Offices and the Credit Department in Head Office shall issue suitable addendum to the communication of sanction issued clients, indicating the revised rate of interest. In respect of the cases where legal documentation is complete but disbursements are not made, the modified legal documents shall be taken.

The IT Department shall incorporate the revised rates of interest in the system

The following changes may be noted:

- i) The interest rates for JICA scheme have been removed from the interest rate table, as the scheme has been discontinued by SIDBI w.e.f. 01.07.2010
- ii) The interest rate for Micro Finance Activity has been incorporated in interest rate table
- iii) A clarification has been incorporated in the terms and conditions at item No VI regarding the interest rate for activities eligible and not eligible for refinance from SIDBI

Except for the above changes, all other terms and conditions, rebates and incentives mentioned in the previous Circular referred above, shall remain unaltered.

The contents of this circular shall be brought to the notice of all the concerned in your Office/Department.

MANAGING DIRECTOR

To:
All Departmental Heads/Principal Officers
All Branch / Zonal Managers/IA Cells
General Managers – at Head Office
Library

CC to:
Executive Director (F) }
Executive Director (O) } for information
EA to the MD

**KARNATAKA STATE FINANCIAL CORPORATION
HEAD OFFICE: BANGALORE.**

Annexure to Circular No ED(F) 936

Interest Rate Table (Term Loans) effective from 10.06.2011
(Earlier interest Circular No ED(F).907 dated 03.06.2010)

Sl No	Category of borrowers/loans	Interest Rate (%)
1	a. All Term Loans (including WCTL) to MSMEs, b. Acquisition of ISO accreditation, c. SRTOs and Acquisition of private vehicles, d. Tourism related activities: Amusement parks, Restaurants, Travel and Transport, Tourist Service Agency, Hotels & Restaurants, Mobile Canteen/Catering, Resorts, Service Apartments, e. Health Care Services: Assistance to Doctors/Qualified Medical Practitioners, Nursing Homes/Hospitals, Electro Medical Equipment. f. Assistance to qualified professionals: Management Professionals, Medical Professionals, Accounting Professionals, Architects and Engineers, Veterinary Clinics. g. DG Sets, Mobile Generators, h. Godown / Warehouse and Convention centers. i. Office Automation j. Training Institutions.	14.00
2	a. Construction / Buying Commercial Complexes, b. Construction activities like Residential Apartments, Villas, Group housing, Lay out formation/Property Development c. Shopping Complexes, d. Industrial Estates, IT Software Parks, e. Ready built office space, Construction/Buying Ready built show rooms and Sales outlets, Development, Maintenance and Construction of Roads/Infrastructure Projects. f. Professional Education Institutes.	16.50
3	a. Corporate loans, (excluding Corporate loans to activities at Sl No. 2), AMARA scheme, Bridge loans , Finance to existing assets, b. Entertainment industry (including Cinema Theatre/Multiplex, Production of feature films, TV serials, Dubbing/ Recording, Software for visual media publicity). c. Rental Discounting scheme.	16.00
4	Privileged Entrepreneurs Scheme	15.50
5	Micro Finance Activity	14.00 (net)

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NOTES TO THE ABOVE INTEREST RATE STRUCTURE:**I REBATES AND CONCESSIONS:****A.1 CONCESSION FOR CREDIT RATED LOAN PROPOSALS**

For new loans disbursed on or after 01.02.2010, interest concession shall be extended as indicated below:

Rating	Interest rebate for loans	
	up to Rs.1.00 crore	above Rs.1.00 crore
Green field Projects with ratings SE1A and SE2A by SMERA or equivalent rating by other agencies	0.50%	1.00%
Brown field Projects with ratings Pr1 and Pr2 by SMERA or equivalent rating by other agencies		

This interest concession shall not be applicable for Tourism related activities like Amusement parks, Restaurants, Travel & Transport, Tourist Service Agency, Hotels & Restaurants, Mobile Canteen / Catering, Resorts, Service Apartments, CRE projects, Corporate Loans, Privileged Entrepreneurs loans and loans sanctioned under JICA LoC.

2. REBATE FOR PROMPT PAYMENT

- i) A rebate of 0.50% will be allowed for all loans disbursed on or after 01.02.2010 for prompt payment. This rebate is not applicable to Micro Finance Activity
- ii) An additional rebate of 0.50% will be allowed only for loans of Rs 300 lakhs and above to existing customers, for prompt payment, sanctioned on or after 24.05.2010

The rebate shall be allowed subject to the following,

- a) Payments shall be made on or before the due date through ECS /RTGS /NEFT /DD / Cash /Local Cheques. Repayment through outstation cheques will not be eligible for this rebate.
- b) The present system of giving grace period of three days for prompt payment has been discontinued for all loans, including the existing loans.
- c) If the due date for payment happens to be a holiday, the immediate next working day shall be considered as due date and for reckoning the prompt payment.

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B. INTEREST RATE FOR SC/ST ENTREPRENEURS

The term loans to Scheduled Caste and Scheduled Tribe entrepreneurs will be sanctioned at the above applicable rates. However, effective rate to these entrepreneurs will be 4% p.a. The difference between KSFC lending rate and effective rate of 4% to the borrower will be met through the interest subsidy by GoK as per the KSFC - Circular No ED (F) 786 dated 30.03.2007 and Circular No ED (F) 868 dated 28.07.2009 respectively. Further the guidelines issued at Circular No.887 dated 17.12.2009 may also be noted.

II PENAL INTEREST

For new loans disbursed on or after 01.02.2010, the penal interest of 2.00% p.a. over and above the applicable interest will be charged in case of default, on the defaulted amount for defaulted period to all categories of borrowers.

III LOAN OUTSTANDING TO DETERMINE INTEREST RATE

While applying the interest rate, the total loan outstanding (i.e existing and proposed loan) will be the criteria for deciding the rate of interest.

IV DEFERRED PAYMENT IN CASE OF SALE U/S 29 of SFCs ACT

The rate of interest for deferred payment liability in case of sale of assets will be the highest current rate of interest rate under 1 and 2 of interest rate table.

V TRANSFER OF LOAN LIABILITY

The original contract rate of interest will continue to apply in case of transfer of loan liability.

VI For the activities which are eligible for refinance from SIDBI, but SIDBI is not providing refinance because of the exposure exceeding the limit specified in the SFCs Act, the rate of interest as per the prevailing interest rate structure of the Corporation shall be applied

However, for the activities which are not eligible for refinance from SIDBI, including Large Scale Industries, the interest rate as applicable to advances out of own funds (SI No 3 in the interest rate Table) shall be applied
