



KARNATAKA STATE FINANCIAL CORPORATION

HEAD OFFICE:

**KSFC Bhavana, No.1/1, Thimmaiah Road,
Bangalore – 560 052. Tel.No.080-22263322**

No.KSFC/HO/GM(C-I)/ 67 /2022-23/

Date:27.4.2022.

CIRCULAR - 1026

Sub: Clarification on surplus collateral security for Additional Loans and
Registration of Lease deed for leased premises.

Ref : Circular No.848 dated 31.1.2009 & Lending Policy stipulation on Regd Lease deed

1] Surplus collateral security for Additional Loans : The circular under reference states that the surplus value available in unit's land, building, plant & machinery (even if financed by the Corporation and the loan is in currency) & existing collateral can be taken towards collateral security requirements of additional loan after deducting entire existing liability in case of proposals from existing customers with good track record for more than 03 years and working on profitable lines provided minimum 30% of the earlier term loan is repaid.

The Corporation is getting proposals for sanction of additional term loans for both expansion & also for cost escalation of projects which are under implementation. The above circular does not address the methodology of computation of collateral in respect of (i) units seeking additional loans for expansion prior to completion of 03 years of operation & (ii) units seeking loans for cost escalation during implementation itself.

As the circular under reference is not figuring in the present Lending Policy-2020, Branch Offices have sought clarification on methodology of computation of collateral.

It is clarified that while extending additional loans in situation at (i) & (ii) above, the surplus value of collateral should be computed by excluding the value of assets funded when the loan is in currency. The land value (if not financed) + the value of existing collateral should be taken as **total collateral available** which should meet the collateral requirement as stipulated in the Lending Policy-2020 for the activity /product & should cover the collateral requirement of both **existing & proposed loans**.

2] Submission of Registered Lease deed for loans above Rs.25.00 lakhs.: As per the clause 15.2 (b), of Lending Policy-2020, the proposals for financing of only machinery in lease premises is involved and the Machinery can be removed and sold independently, then **registered** lease deed may be insisted upon for double the repayment period or 12 years whichever is higher for loans above Rs.25.00 lakhs. Collateral security shall be obtained as per the Product Code.

Many entrepreneurs have expressed difficulty in submission of Registered lease deed as the owners of premises are not agreeing for registering the lease deed. In view of representations from many entrepreneurs, the matter was examined & it is decided not to insist registration of Lease Deed for **only machinery loans** above Rs.25.00 lakhs subject to offering 100% collateral Security.


EXECUTIVE DIRECTOR-I

To: All Branch Managers, AGMs, DGMs,
All IACs, All HoDs & all GMs in Head Offices,
ED-I & II – for information.