



ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporations' Act, 1951



ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./

Ref. No. KSFC/H.O./MD/ED-I/TRy/204/2017-18.

ದಿನಾಂಕ :

Date...24/01/2018.

CIRCULAR No.999

Sub: Modification to Interest Rate Structure.

Ref : Previous interest rate Circular No.ED-II 997 dated 13-04-2016.

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A note was placed before the Board on 09.01.2018 recommending modifications to the existing interest rate structure. After deliberations, the Board has approved the following:

- 1(a) To introduce “**Special Interest Scheme for Existing Entrepreneurs**” for the existing MSME customers who are not eligible for interest subsidies under government schemes. The sanction under this scheme is limited to Rs.100.00 crore.
- 1(b) PE loan, Corporate loan for existing customers and loans for CRE sector and sectors where the rate of interest is 14.5% p.a. and above (gross) in the prevailing interest rate structure is revised at 14.5% p.a. (gross) with prompt payment rebate of 0.5% (net 14% p.a.).
- 1(c) The interest rate applicable to financing of Fixed Assets under the Contractors Scheme is revised as applicable to MSME / Large scale Industries instead of the prevailing interest rate of 16.50%.

2. The **eligibility criteria** for coverage under “**Special Interest Scheme for Existing Entrepreneurs**” are as given below:

- (a) The scheme is applicable for the existing good customers of KSFC with minimum three years of satisfactory track record who would like to take up expansion/diversification/modernization. The account should be in standard category for the last three years.
- (b) The scheme is also applicable to the customers who were earlier with the Corporation with past track record of three years and have migrated to banks who would like to avail additional loan either for the same unit or for an associate unit. An associate unit means a unit where the common partners/directors hold more than 51% share in both the units.
- (c) The internal credit rating score of 60% and above is the bench mark to consider the proposal under the scheme.

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ಪ್ರಧಾನ ಕಛೇರಿ : ಕೆ.ಎಸ್.ಎಫ್.ಸಿ. ಭವನ, ನಂ. 1/1, ತಿಮ್ಮಯ್ಯ ರಸ್ತೆ, ಕಂಟೋನ್‌ಮೆಂಟ್ ರೈಲ್ವೆ ನಿಲ್ದಾಣದ ಹತ್ತಿರ, ಬೆಂಗಳೂರು-560 052
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(d) The loan proposals which are covered under any interest subsidy scheme of GoK/GoI and term loans sanctioned under CRE Sector are not eligible to be covered under this scheme.

3. The rate of interest applicable under this scheme is 12% for the borrowers satisfying the eligibility criteria (instead of 14%) for MSME sector and 12.5% for large scale units with prompt payment rebate of 0.5%.

4. Other Guidelines:

- (a) The existing guidelines on prompt payment rebate, cap on maximum rebate/concession etc shall remain unchanged.
- (b) The new rates are made applicable to all the cases where the first disbursement is made on OR after 09.01.2018.
- (c) The internal rating shall be endorsed by the Risk Management Department at Head Office for covering the loan proposals under "Special Interest Scheme for Existing Entrepreneurs".
- (d) The Branch Managers are instructed to review all cases where first disbursement is made on or after 09.01.2018 and effect the revised interest rates to the applicable cases. Besides, the cases already sanctioned but not disbursed also should be reviewed and revision be effected. A suitable communication should also be sent to parties to this effect. In respect of cases which are eligible to be covered under the "Special Interest Scheme for Existing Entrepreneurs" and if such proposals are credit rated at Branch levels, these cases should be referred to Risk Management Department at HO for reconfirmation of credit score.

The interest rate Circular has been updated by incorporating the new rate of interest as detailed in the Annexure to this Circular. The IT Department shall incorporate the revised rate of interest in the system.

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

Elusop Carr
MANAGING DIRECTOR

To:

All Departmental/Principal Officers/Section Heads

All Branch Offices /IA Cells

General Managers – at Head Office

Library

CC to:

Executive Director I }

Executive Director II } for information



KARNATAKA STATE FINANCIAL CORPORATION
HEAD OFFICE: BANGALORE.

Annexure to Circular No. ED-I 999
Interest Rate Table (Term Loans) effective from 09-01-2018
(Earlier interest Circular No ED II - 997 dated 13-04-2016)

Sl No	Category of borrowers/loans	Interest Rate (%)	
		Gross Rate	Net of rebate
1	a. Term Loans (including WCTL) to Micro, Small and Medium Industries, 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, and 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. k. Industrial Estates, IT Software Parks. l. Financing of fixed assets under contractors scheme.	14.00	13.50
1A	Term loans to Large Scale Industries / Industries graduating from Medium Scale Industries	14.50	14.00
	** irrespective of the amount of investment in plant and machinery, the Applicable rate of interest rate for loans under Health care services will be on par with loans to MSMEs.		



2	a. Construction / Buying Commercial Complexes, b. Construction activities like Residential Apartments, Villas, Group housing, Layout formation / Property Development c. Shopping Complexes, d. Ready built office space, Construction/Buying Ready built show rooms and Sales outlets, Development, Maintenance and Construction of Roads / Infrastructure Projects. e. Professional Education Institutes. f. Corporate loans to above activities (under SI No. 2)	14.50	14.00
3	a. Corporate loans, (excluding corporate loans to activities at SI.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	14.50	14.00
4	Privileged Entrepreneurs Scheme	14.50	14.00
5	Micro Finance Activity	14.00	14.00
6	Purchase of private vehicles by existing firms / promoters	12.00	12.00
7	a. Wind Mill Power Generation Projects b. Solar Power Generation Projects	13.00	13.00
8	a. Term loans to MSMEs (excluding CRE sector) under Special Interest scheme for existing entrepreneurs b. Term loans to Large Scale Industries / graduating to Large Scale Industries (excluding CRE sector) under Special Interest scheme for existing entrepreneurs	12.00 12.50	11.50 12.00

NOTES TO THE INTEREST RATE STRUCTURE:

A) REBATES AND CONCESSIONS:

[1] Prompt payment rebate of 0.5% will be allowed for the loans as indicated in the table above 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) 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.



- c) No rebate for prompt payment is available to Micro Finance Activity, Purchase of private vehicles by existing firms / promoters, Wind Mill Power Generation Projects and Solar Power Generation Projects.
- d) 1.00% special rebate is extended to physically challenged entrepreneurs subject to producing physical disability certificate from the competent authority.
- e) 1.00% special rebate is extended to green technology products and services provided, 51% of the project cost comprises of green technology, viz, green building, equipment, energy and other purchasing required for the project.

[2] Maximum Rebate/Concession extended to any unit under different categories shall not exceed 3.00% including the 2.00% interest benefits extended under the "Special Interest Scheme for Existing Entrepreneurs".

B] INTEREST RATES FOR GOVERNMENT OF KARNATAKA INTEREST SUBSIDY SCHEMES

a) 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.

b) Interest rate for First General Entrepreneurs:

The term loans to First Generation entrepreneurs under Government of Karnataka Interest Subsidy Scheme will be sectioned at the above applicable rates. However, interest will be subsidised over and above the 8.00% p.a, subject to a maximum of 6.00% p.a. as per Circular No. ED-I 913 dated 01-06-2015.



c) Interest rate for Women Entrepreneurs:

The term loans to Women 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 guidelines of KSFC - Circular No ED-I 920 dated 14-01-2016. The rate of interest now applicable to this scheme may be indicated at 14% p.a. gross and 4% net, after subsidy of 10% from the Government of Karnataka, without any rebate and concession.

d) Interest rate for Warehouses and Cold Storage:

The term loans to warehouses and cold storage units 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 guidelines of KSFC ION No./KSFC/HO/ED-II/2014-15 / C-4345 dated 27-12-2014. The rate of interest now applicable to this scheme may be indicated at 14% p.a. gross and 4% net, after subsidy of 10% from the Government of Karnataka, without any rebate and concession.

C] PENAL INTEREST:

A 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.

D] 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.

E] 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.

F] TRANSFER OF LOAN LIABILITY:

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