



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 | F.D-I (G.M.C.C-2) | 76/2017-18

ದಿನಾಂಕ :

Date..... 27/03/2018

CIRCULAR NO.1001

Sub:	Operating Guidelines on Karnataka State Collateral Security Guarantee Fund Scheme for Micro & Small Enterprises for SC/ST Entrepreneurs.
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The Government of Karnataka has introduced the Credit Guarantee Trust Fund Scheme for new Micro, Small & Medium Enterprises for providing guarantees to KSFC for the loans sanctioned to the Scheduled Caste & Scheduled Tribe entrepreneurs. The Government has issued GO vide GO No.ನಸಇ 210 ಎನ್.ಎಲ್.ಎಫ್. 2017, ಬೆಂಗಳೂರು ದಿನಾಂಕ 12.12.2017 which is enclosed at Annexure - I

A. The salient features of the scheme are as follows:-

- A corpus of Rs.100.00 crore has been provided in the Budget for extending the guarantee.
- The Scheme is implemented with effect from the date of the GO i.e, 12.12.2017.
- The scheme is applicable for the loans sanctioned by KSFC, with effect from the date of implementation of the scheme, for SC/ST entrepreneurs for their new micro, small and medium enterprises.
- The loans sanctioned for real estate business like layout formation / construction of apartments/ commercial complex etc are not eligible for Collateral security Guarantee Cover (CSGC).
- The guarantee cover will be applicable for a maximum limit up to Rs.2.00 crore subject to the following conditions:

Category	Maximum guarantee cover by the government / trust for the collateral security	Remarks
1) Working capital and where the loans are only for movable assets such as borewell rig units, commercial vehicles, financing of plant and machinery in leased premises etc.	70% of collateral security requirements.	The remaining 30% is to be offered by the promoters.
2) In all other cases	100% of collateral security requirements	--

ಪ್ರಧಾನ ಕಛೇರಿ : ಕೆ.ಎಸ್.ಎಫ್.ಸಿ. ಭವನ, ನಂ. 1/1, ತಿಮ್ಮಯ್ಯ ರಸ್ತೆ, ಕಂಟೋನ್‌ಮೆಂಟ್ ರೈಲ್ವೆ ನಿಲ್ದಾಣದ ಹತ್ತಿರ, ಬೆಂಗಳೂರು-560 052

ದೂರವಾಣಿ ಸಂಖ್ಯೆ ಸಾಮಾನ್ಯ : 22263322 ಫ್ಯಾಕ್ಸ್ : 080-22250126 ಇ-ಮೇಲ್ : info@ksfc.in ವೆಬ್ : www.ksfc.in

HEAD OFFICE : KSFC Bhavan, No. 1/1, Thimmaiah Road, Near Cantonment Railway Station, Bangalore-560 052.

Telephone : Gen : 22263322, Fax : 080-22250126, e-mail : info@ksfc.in Website : www.ksfc.in

- vi. *The Corporation has entered into a Memorandum of Understanding with the GOK, a copy of which is enclosed as Annexure – II.*
- vii. *KSFC will work out the collateral security required as per the lending policy and work out the guarantee cover required from GoK as per GO in case the SC/ST Entrepreneurs seek guarantee requirement from GoK.*
- viii. *The guarantee covers will be available for a maximum period of 8 years.*
- ix. *The credit guarantee shall be approved by the GoK/Trust before first disbursement of the loan. A condition to be included in the COS, in this regard.*

B. Coverage of the cases under the Scheme.

1. *After the sanction of loan to the eligible borrowers, the Branches should forward an application for coverage under Collateral Security Guarantee Scheme duly filled in by the borrower and by the Branch under the CSGS to the DGM (Controller) who would in turn forward it to the Social Welfare Department for their approval to cover the proposals under the CSGS. Only after the Government approval of the proposal, the loan sanction communication should be issued. The application format is enclosed as Annexure-III.*
2. *One time guarantee fee of 1% on the Guarantee Cover Amount and annual renewal fee of 0.50% is payable to the Government / Trust which should be collected/recovered from the borrowers. Before the first disbursement of the loan, the onetime guarantee fee of 1% of the collateral guarantee cover amount should be collected from the borrowers by the Branches. Further annual renewal fee of 0.50% of the collateral guarantee cover is to be collected by the Branches. This amount shall be remitted to the Government by the HO Controller Department. Annual renewal fee shall not be collected in those cases where the claims are lodged with the Government.*
3. *The Branch shall closely monitor the borrower account, shall take primary security as per the norms, insure the assets and exercise all due diligence for recovering the dues.*

C. Lodging of claims:

1. *The guarantee can be invoked by KSFC within a period of one year after the account becomes an NPA-Doubtful category after initiating recovery action against primary assets and recalling loans.*

: 3 :

2. The Government / Trust shall pay 75% of the guaranteed amount on preferring of claims by KSFC within 60 days from the date of claim and balance 25% will be paid on completion of recovery proceedings of KSFC.
3. KSFC shall exercise its rights to take over the secured assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall be appropriated to the dues in the account of the borrower before it claims remaining 25% of the guaranteed amount.
4. If there is excess amount paid by Government / Trust over and above the dues of KSFC, such amount will be paid back by KSFC to Government / Trust. KSFC shall submit such statements / information as the Government / Trust may require in connection with credit facilities under the scheme.

DGM (Controller), in consultation with the IT department, may introduce necessary GL Codes and issue guidelines for accounting. Further there is a cap of Rs.100 crore for coverage amount. This should be monitored by the DGM (Controller).

Eusep Can
MANAGING DIRECTOR

To:

All the RMs/ AGMs/ DGMs of Branch Offices
All the AGMs of Audit Cells
All the Department Heads in HO
EA to MD, Library
General Managers
Executive Director -I & II

ಮೇಲಿನ ಅಂಶಗಳನ್ನು ಕೂಲಂಕಷವಾಗಿ ಪರಿಶೀಲಿಸಿ ಈ ಕೆಳಕಂಡಂತೆ ಆದೇಶ ಹೊರಡಿಸಲಾಗಿದೆ.

ಸರ್ಕಾರದ ಆದೇಶ ಸಂಖ್ಯೆ:ಸಕಇ 210 ಎಸ್‌ಎಲ್‌ಪಿ 2017, ಬೆಂಗಳೂರು, ದಿನಾಂಕ:12-12-2017

ಪ್ರಸ್ತಾವನೆಯಲ್ಲಿ ವಿವರಿಸಿರುವ ಕಾರಣಗಳಿಂದ, ಪರಿಶಿಷ್ಟ ಜಾತಿ/ಪರಿಶಿಷ್ಟ ಪಂಗಡದ ಉದ್ದಿಮೆದಾರರು ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಯಿಂದ ಸಾಲ ಪಡೆಯಲು ಅನುಕೂಲವಾಗುವಂತೆ, ಕರ್ನಾಟಕ ಸಮಾನಾಂತರ ಖಾತರಿ (collateral security) ನಿಧಿಯೋಜನೆಯನ್ನು ರೂಪಿಸಿ, ತಕ್ಷಣದಿಂದ ಜಾರಿಗೆ ಬರುವಂತೆ ಸರ್ಕಾರವು ಆದೇಶ ಹೊರಡಿಸಿದೆ. ಈ ಯೋಜನೆಯ ವಿವರಗಳನ್ನು ಈ ಆದೇಶಕ್ಕೆ ಲಗತ್ತಿಸಿರುವ ಅನುಬಂಧದಲ್ಲಿ ವಿವರಿಸಿದೆ.

ಈ ಆದೇಶವನ್ನು ಆರ್ಥಿಕ ಇಲಾಖೆ ಟಿಪ್ಪಣಿ ಸಂಖ್ಯೆ:ಆಇ 573 ವೆಚ್ಚ-3/2017 ದಿನಾಂಕ: 15-11-2017ರಲ್ಲಿ ನೀಡಿರುವ ಸಹಮತಿಯನ್ನಯ ಹೊರಡಿಸಲಾಗಿದೆ.

ಕರ್ನಾಟಕ ರಾಜ್ಯಪಾಲರ ಆದೇಶಾನುಸಾರ
ಮತ್ತು ಅವರ ಹೆಸರಿನಲ್ಲಿ

(ಪಿ.ಎನ್.ಸಾಗರಾಜ್)

ಸರ್ಕಾರದ ಅಧೀನ ಕಾರ್ಯದರ್ಶಿ-1 (ಪ್ರ),
ಸಮಾಜ ಕಲ್ಯಾಣ ಇಲಾಖೆ.

ಗೆ:

- 1) ಮಹಾಲೇಖಪಾಲರು (ಲೆಕ್ಕಪರಿಶೋಧನೆ-1 ಮತ್ತು 2), ಕರ್ನಾಟಕ, ಬೆಂಗಳೂರು
- 2) ಆಯುಕ್ತರು, ಸಮಾಜ ಕಲ್ಯಾಣ ಇಲಾಖೆ, ಬೆಂಗಳೂರು
- 3) ನಿರ್ದೇಶಕರು, ಪರಿಶಿಷ್ಟ ಪಂಗಡಗಳ ಕಲ್ಯಾಣ ಇಲಾಖೆ, ಬೆಂಗಳೂರು
- 4) ವ್ಯವಸ್ಥಾಪಕ ನಿರ್ದೇಶಕರು, ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ, ಬೆಂಗಳೂರು
- 5) ಎಲ್ಲಾ ಜಿಲ್ಲಾಧಿಕಾರಿಗಳಿಗೆ
- 6) ಎಲ್ಲಾ ಜಂಟಿ/ಉಪನಿರ್ದೇಶಕರುಗಳು, ಸಮಾಜ ಕಲ್ಯಾಣ ಇಲಾಖೆ
- 7) ಎಲ್ಲಾ ಜಿಲ್ಲಾ ಪರಿಶಿಷ್ಟ ಪಂಗಡಗಳ ಕಲ್ಯಾಣಾಧಿಕಾರಿಗಳಿಗೆ
- 8) ಸರ್ಕಾರದ ಅಧೀನ ಕಾರ್ಯದರ್ಶಿ, ಆರ್ಥಿಕ ಇಲಾಖೆ (ವೆಚ್ಚ-3), ವಿಧಾನಸೌಧ, ಬೆಂಗಳೂರು
- 9) ಶಾಖಾ ರಕ್ಷಾ ಕಡತ/ಹೆಚ್ಚುವರಿ ಪ್ರತಿಗಳು

ಪ್ರತಿ:

- 1) ಸನ್ಮಾನ್ಯ ಮುಖ್ಯಮಂತ್ರಿಯವರ ಪ್ರಧಾನ ಕಾರ್ಯದರ್ಶಿಯವರು, ಕರ್ನಾಟಕ ಸರ್ಕಾರ, ವಿಧಾನಸೌಧ, ಬೆಂಗಳೂರು.
- 2) ಮಾನ್ಯ ಸಮಾಜ ಕಲ್ಯಾಣ ಮತ್ತು ಹಿಂದುಳಿದ ವರ್ಗಗಳ ಕಲ್ಯಾಣ ಸಚಿವರ ಆಪ್ತ ಕಾರ್ಯದರ್ಶಿ, ವಿಧಾನಸೌಧ, ಬೆಂಗಳೂರು.
- 3) ಸರ್ಕಾರದ ಅಪರ ಮುಖ್ಯ ಕಾರ್ಯದರ್ಶಿ, ಸಮಾಜ ಕಲ್ಯಾಣ ಇಲಾಖೆ ಇವರ ಆಪ್ತ ಕಾರ್ಯದರ್ಶಿ, ವಿಕಾಸಸೌಧ, ಬೆಂಗಳೂರು
- 4) ಸರ್ಕಾರದ ಜಂಟಿ/ಉಪಕಾರ್ಯದರ್ಶಿ-1, ಸಮಾಜ ಕಲ್ಯಾಣ ಇಲಾಖೆ ಇವರ ಆಪ್ತ ಸಹಾಯಕರು, ವಿಕಾಸಸೌಧ, ಬೆಂಗಳೂರು

ಅನುಬಂಧ

Karnataka State Collateral Security Guarantee Fund Scheme for
Micro-Small and Medium Enterprises

INTRODUCTION

In the Budget of 2017-18 the following is announced on the above subject:-

“Considering the difficulties faced by the SC/ST entrepreneurs in furnishing collateral security to banks and KSFC while availing loans, the Government has formulated a scheme for establishing a corpus fund of Rs.100 crore with assistance from Credit Guarantee Fund Trust for furnishing collateral security.” – (Para 182)

The Central Government is operating the Credit Guarantee Trust Fund Scheme (CGTMSL) for micro and small enterprises availing loans from commercial banks. The Scheme covers credit facilities extended by Commercial Banks, to a single eligible borrower in the Micro and Small Enterprises Sector for credit facility (i) not exceeding 50 lakh (Regional Rural Banks / Financial Institutions) and (ii) not exceeding 200 lakhs (Scheduled Commercial Banks and select financial institutions) by way of term loan and / or working capital facilities, without any collateral security and / or third party guarantee. The credit facility extended to retail enterprises, educational institution, agricultural activities are not eligible under this scheme. Scheduled cooperative banks are also not eligible for cover under this scheme.

Karnataka State Financial corporation (KSFC) is not listed as eligible lending institution for guarantee cover under the Government of India CGTMSL scheme. KSFC is insisting for the Collateral security from the borrowers in the form of urban land, house and other buildings /fixed deposit etc. The SC/ST borrowers are finding it difficult to provide the collateral security as demanded by the KSFC. Therefore, it is decided to formulate a scheme of providing collateral security covering the loans from KSFC

As per the Lending Policy 2015 of Karnataka State Financial Corporation, the collateral security is made compulsory by KSFC for the following categories of Loan:-

Sl. No	Category of Loan	% of Collateral security on loan amount
1	For Working capital Assets movable and high risk assets like vehicles, earth moving equipments, borewell drilling machines, wood based, chemicals, textiles, Agro and food based, industries etc.	100% to 75% of the loan amount (no collateral security is insisted on the loan covering land and building)
2	For various manufacturing and other industrial units etc.	50% of the loan on plant and machinery etc only. (no collateral security is insisted on the loan given for land and building)
3	Less Risks Activities like Automobiles components manufacturing etc	Only 30% on equipment.



The collateral security guarantee fund scheme for SC/ST Entrepreneurs, applicable to KSFC is as under:

1. Title of the Scheme

- a. The Scheme is called the Karnataka State Collateral Security Guarantee fund Scheme for Micro-Small and Medium Enterprises of Scheduled Castes and Scheduled Tribe for borrowing loans from KSFC.
- b. This Scheme is applicable for the new loans to be sanctioned by KSFC with effect from the date of implementation of the Scheme.

2. Definitions:

For the purposes of this Scheme –

- (i) **“Collateral Security”** means the security in addition primary security to be given by the borrowers at prescribed percentages of loan sanctioned for assets like plant and machinery, equipments etc, other than land and building, as per the lending policy in force at the time of sanction of loan by KSFC.
- (ii) **“Primary security”** means the assets created from the credit facility (term loan/working capital) which are directly associated with the project or business for which the credit facility has been sanctioned.
- (iii) **“Amount of default”** means the principle and interest amount outstanding in the account of the borrower in respect of term loan and working capital as on the date of considering the loan as NPA-Doubtful loan account as defined under the Asset Classification guidelines issued by Reserve Bank of India.
- (iv) **“Collateral Security Guarantee Cover”** means the maximum cover available per eligible borrower to the extent of the collateral security guarantee amount or non recoverable amount out of outstanding amount whichever is less.
- (v) **“Eligible borrower”** means Micro-Small and Medium Enterprises from Scheduled Castes and Scheduled Tribes of Karnataka to which credit facility has been provided by the KSFC which could be proprietary concern, partnership firm formed under Indian Partnership Act, Limited Liability Partnership firm established under Limited Liability partnership Act, Joint-Stock Company incorporated under the Companies Act, 1956 or a Trust registered under the Indian Trusts Act.
- (vi) **“Micro-Small and Medium Enterprises”** ~~As per the MSMED Act, 2006 an~~ **“Enterprise”** means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods or rendering of any service or services; and “Micro-Small and Medium Enterprises” are defined in the said Act.
- (vii) **“Government”** means Government of Karnataka represented by the Social Welfare Department.
- (viii) **“Trust”** means Karnataka Collateral Security Guarantee Fund Trust for SC/ST for Micro-Small and Medium Enterprises established for administering this Scheme.

3. Conditions of the Scheme

- (i) **Eligibility Criteria:** The SC/ST borrowers as defined at (v) pre-para who are availing the loan for new Micro-Small and Medium enterprises from KSFC are eligible for Collateral Security Guarantee Cover (*herein after called as CSGC*) under this Scheme.
- (ii) **Ineligible Borrowers:** Loans for real estate business like layout formation/construction of apartments/commercial complexes, retail trade, agricultural activities are not eligible for CSGC.


- (iii) It shall safeguard the primary securities taken from the borrower in respect of the credit facility by monitoring the account closely and ensure that the assets are insured for the risks of fire, riot, strikes or malicious damage and comprehensive insurance in respect of loans given to transport vehicles.
- (iv) It shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Government/Trust in the form and in the manner and within such time as may be specified by the Government/Trust in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Government/Trust facing higher guarantee claims.
- (v) The payment of guarantee claim by the Government/Trust to the KSFC does not in any way take away the responsibility of the KSFC to recover the entire outstanding amount of the credit from the borrower. It shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate such necessary actions for recovery of the outstanding amount with interest including such action as may be advised by the Government/Trust.
- (vi) The KSFC shall comply with such directions as may be issued by the Government/Trust, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Government/Trust may deem fit and the KSFC shall be bound to comply with such directions.
- (vii) It shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Government/Trust in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Government/Trust. The KSFC shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Government/Trust as the guarantor. In particular, the KSFC should intimate the Government/Trust while entering into any compromise or arrangement, which may have effect of discharge may have effect on CSGC. The KSFC shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee. Further the KSFC shall secure for the Government/Trust or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the Government/Trust.

7. CLAIMS

Invocation of guarantee

- (i) The KSFC may invoke the guarantee in respect of credit facility *within a maximum period of one year from date of account becoming NPA-Doubtful category* subject to the following conditions :-
- The guarantee in respect of the credit facility which was in force at the time of account becoming NPA- Doubtful category.
 - After the moratorium period as fixed by the KSFC, either from the date of last disbursement of the loan to the borrower or the date of payment of the guarantee fee in respect of credit facility, whichever is later, has elapsed.



- c. The amount due and payable to the KSFC in respect of the credit facility has ~~not~~ been paid and the account been classified as NPA- **Doubtful category**. Provided that the KSFC shall not make or be entitled to make any claim on the Government/Trust if the loss in respect of the said credit facility had occurred owing to actions / decisions taken in contravention of the guidelines issued by the Government/Trust.
- d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recovery notice cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CSGC. KSFC is ~~shall~~ take further action for recovery as contained in the SFCs Act or other relevant acts/rules before submitting claims for part/full guaranteed amount as the case may be from the Government/Trust and continue to take measure for full recovery of the amount due.
- (ii) The claim should be preferred by the KSFC in such manner and within such time as may be specified by the Government/Trust in this behalf.
- (iii) The Government/Trust shall pay 75% of the guaranteed amount on preferring of eligible claim by the KSFC, within 60 days from the date of claim, subject to the claim being otherwise found in order and complete in all respects. The Government/Trust shall pay to KSFC interest on the eligible claim amount at the rate as per agreement for the period of delay beyond 60 days. The balance 25% of the guaranteed amount will be paid on conclusion of recovery proceedings by the KSFC. On a claim being paid, the Government/Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.
- (iv) In the event of account, becoming NPA-Doubtful *category*, the KSFC shall exercise its rights, if any, to take over the assets of the borrowers and the amount realised, if any, from the sale of such assets or otherwise and shall be appropriated to the dues in the account of the borrower before it claims the remains 25% of guaranteed the amount. Further the KSFC is liberty to proceed with further recovery action for recovery of balance dues if any after claiming remaining 25% of guaranteed amount. However, after conclusion of recovery proceedings, if there is ~~excess amount over and above the dues of KSFC~~ shall be reimbursed to the Government/Trust to the extent of amount paid by the Government/Trust. Further if the borrowers come forward to close the account in the normal course after claim is lodged, the KSFC shall reimburse the guaranteed amount released by the Government/Trust, if any, with interest as per agreement.
- (v) The KSFC shall be liable to refund the ~~amount~~ released by the Government/Trust together with penal interest at the rate of 4% above the agreed the Rate, if such a recall is made by the Government/Trust in the event of serious deficiencies such as lodgement of the claim more than once or where there is suppression of material information on part of the KSFC for the settlement of claims. The KSFC shall pay such penal interest, when demanded by the Government/Trust, from the date of the initial release of the claim by the Government/Trust to the date of refund of the claim.
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(vi) The guarantee claim shall be submitted by the Head office of the KSFC. The claims received from the branches of KSFC will not be entertained.

8. Subrogation of rights and recoveries on account of claims paid

(i) The KSFC shall furnish to the Government/Trust, the details of its efforts for recovery, realisations and such other information as may be demanded or required from time to time. KSFC will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Government/Trust. The Government/Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the KSFC.

(ii) Every amount recovered and due to be paid to the Government/Trust shall be paid without delay, and if any amount due to the Government/Trust remains unpaid beyond a period of 60 days from the date on which it was first recovered, interest shall be payable to the Government/Trust by KSFC at the rate which is 4% above the agreed Rate for the period for which payment remains outstanding after the expiry of period of 60 days.

MISCELLANEOUS

9. Appropriation of amount received from the KSFC

The amount received from the KSFC shall be appropriated in the order in which the annual fee, penal interest and other charges have fallen due. If the annual fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards annual fee and then towards the penal interest and finally towards any other charges payable in respect of the eligible credit facility.

10. Government/Trust liability to be terminated in certain cases

(i) If the liabilities of a borrower to the KSFC on account of any eligible credit facility guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.

(ii) If a borrower becomes ineligible for being granted any credit facilities under the Scheme, by reason of cessation of his activity or his undertaking ceasing to come within the condition of this scheme, the liability of the Government/Trust in respect of any credit facilities granted to him by a KSFC under the Scheme shall be limited to the liability of the borrower to the KSFC as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of the Government/Trust fixed under this Scheme. However, notwithstanding the death or retirement of a partner where the borrower is a partnership firm or the death of one of the joint borrowers, if KSFC is entitled to continue the credit facilities to the surviving partner or partners or the surviving borrower or borrowers, as the case may be and if the credit facilities have not already become default account, the guarantee in respect of such credit facilities shall not to be deemed to be terminated as provided in this paragraph.


11. Returns and Inspections

- (i) The KSFC shall submit such statements and furnish such information as the Government/Trust may require in connection with any credit facility under this Scheme.
- (ii) The KSFC shall also furnish to the Government/Trust all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the KSFC or any officer thereof for anything done in good faith.
- (iii) The Government/Trust shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the KSFC, and of any borrower from the KSFC. Such inspection may be carried out either through the officers of the Government/Trust if any, or any other person appointed by the Government/Trust for the purpose of inspection. Every officer or other employee of the KSFC or the borrower, who is in a position to do so, shall make available to the officers of the Government/Trust or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.

12. Conditions imposed under the Scheme to be binding on the KSFC:

- (i) Any guarantee given by the Government/Trust shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.
- (ii) The KSFC shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but not withstanding any provision in any other document or contract, the KSFC shall in relation to the Government/Trust be bound by the conditions imposed under the Scheme.

13. Modifications and exemptions:

- (i) The Government/Trust reserves to itself the right to modify, cancel or replace the scheme so, however, that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
 - (ii) Notwithstanding anything herein contained, the Government/Trust shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been extended as on the date of such alteration.
 - (iii) In the event of the Scheme being cancelled, no claim shall lie against the Government/Trust in respect of facilities covered by the Scheme, unless the provisions of this Scheme are complied with by the KSFC and the validity of guarantee which is in currency prior to the date on which the cancellation comes into force.
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14. Interpretation:

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith, the decision of the Government/Trust shall be final.

15. Supplementary and general provisions: In respect of any matter not specifically provided for in this Scheme, the Government/Trust may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

16. Formation of Trust : A separate Order will be issued by the Government for formation of the Trust to implement this scheme.

17. Formation of the KSCSGC scheme implementation Committee: At present this Scheme is to be implemented by the following committee at the government level with the following members till formation of the Trust:-

KSCSGC scheme implementation Committee:

Sl.No	Name of Officer/Department	Designation
1.	ACS/Principal Secretary/Secretary, Social Welfare Department	Chairperson
2.	Secretary, Expenditure, Finance Department	Member
3	Managing Director, KSFC	Member
4.	Commissioner, Commerce & Industry Department	Member
5.	Commissioner, Social Welfare Department /Director, ST Welfare (respectively for SC/ST).	Member Secretary

The Member Secretary of the committee shall initiate action in consultation with the Karnataka State Finance Corporation to bring out the necessary documents/formats for implementation of schemes. He also take necessary action to maintain the records etc., pertaining to the KSCSGC scheme.

18. Release of Funds to meet the collateral security liability: The Government will also issue the necessary orders for release of funds to meet the collateral security liability as and when arises after implementation of the scheme.

This Scheme is approved by FD vide note No.FD 573 EX-3/2017 Dated:15-11-2017.

This KSCSGC scheme will be implemented with immediate effect.

(P.M. NAGARAJ)

Under secretary to Government (I/C)
Social Welfare Department

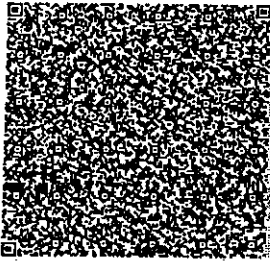


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INDIA NON JUDICIAL
Government of Karnataka

e-Stamp

Certificate No.	: IN-KA12930144507384Q
Certificate Issued Date	: 07-Mar-2018 04:27 PM
Account Reference	: NONACC (FI)/kasfinc01/ BANGALORE/KA-BA
Unique Doc. Reference	: SUBIN KAKASE INC0174311321218461Q
Purchased by	: DR EKROOP CAUR IAS M D KSFC
Description of Document	: Article 12 Bond
Description	: AGREEMENT
Consideration Price (Rs.)	: 0 (Zero)
First Party	: ACS TO GOVT SOCIAL WELFARE DEPT GOK
Second Party	: DR EKROOP CAUR IAS M D KSFC
Stamp Duty Paid By	: DR EKROOP CAUR IAS M D KSFC
Stamp Duty Amount (Rs.)	: 200 (Two Hundred only)



Please write or type below this line

AGREEMENT

This Agreement is made and executed at BANGALORE on this the 07-03-2018

BY

The Additional Chief Secretary/Social Welfare Department, Government of Karnataka and Chairman, The Karnataka State Collateral Security Guarantee Fund Committee for Scheduled Castes and Scheduled Caste/ Scheduled Tribe (in short KSCSGC), a Committee constituted vide G.O. No. SWD 210 SLP 2017, Bangalore dated 12 the December 2017, for operation of KSCSGC, having its office at Vikasa Soudha, Dr.B.R.Ambedkar Veedhi, Bangalore-560 001, herein after referred as (KSCSGC) on the First Part.

Statutory Alert:

1. The authenticity of this Stamp Certificate should be verified at "www.kasstamp.com". Any discrepancy in the details on this Certificate and as available on the website renders it invalid.
2. The onus of checking the authenticity is on the users of the certificate.

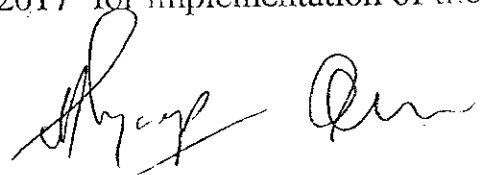
AND BETWEEN

Karnataka State Financial Corporation, here afterwards referred to as "KSFC", a body corporate, constituted under the State Financial Corporations' Act, 1951, having its Head Office at No.1/1, KSFC Bhavana, Thimmaiah Road, Near Cantonment Railway Station, BANGALORE-560 052 on the Second Part, represented by Managing Director, which expression shall, unless excluded by or repugnant to the context includes their successors and assigns.

WHEREAS the Government of Karnataka in its budget of 2017-18 has proposed a scheme for providing guarantee for the loans availed by SC/ST entrepreneurs who are unable to provide collateral security for loans sanctioned by KSFC. Accordingly, a scheme has been formulated by establishing a corpus fund of Rs.100 crores for extending assistance in the form of guarantee in lieu of collateral security for loan sanctioned by KSFC to eligible Scheduled Castes and Scheduled Cast/ Scheduled Tribe Entrepreneurs.

The Second Party is body corporate established under the State Financial Corporations' Act 1951, for the implementation of industrial policy of the State by providing financial assistance to needy entrepreneurs for establishing micro, small and medium enterprises. The Second Party being an entity working on commercial principles insists on securities for the financial assistance provided by way of primary and collateral securities.

The First Party Karnataka State Government to address the problems of SC & ST entrepreneurs has formed a scheme for furnishing collateral security and has issued Government Order No. G.O. No. SWD 210 SLP 2017 for implementation of the said



scheme and First Party is entrusted with the responsibility of administering the scheme to extend the collateral guarantee cover to the borrowers availing loans from the Second Party. The First Party and Second Party for the aforesaid purpose are entering into an Agreement for operating the said scheme. Now, it is hereby agreed by and between the parties hereto as follows:

1. Title of the Scheme:

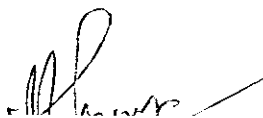
The Scheme is called the Karnataka State Collateral Security Guarantee Fund Scheme for Scheduled Castes and Scheduled Tribe borrowers for Micro-Small and Medium Enterprises for borrowers of KSFC.

- a. This Scheme is applicable for only new loans to be sanctioned by KSFC effective from the date of implementation of the Scheme.

2. Definitions:

In this Agreement the following will have the meaning assigned below for the purpose of this Scheme:

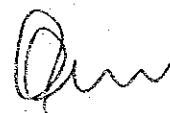
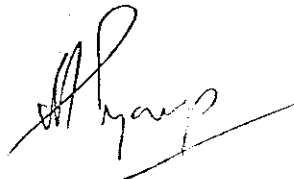
- (i) **“Collateral Security”** means the security in addition primary security to be given by the borrowers at prescribed percentages of loan sanctioned for assets like plant and machinery, equipments, current assets other than land and building, as per the lending policy in force at the time of sanction of loan by KSFC.
- (ii) **“Primary security”** means the assets created from the credit facility (term loan/working capital) which are directly associated with the project or business for which the credit facility has been sanctioned.
- (iii) **“Amount of default”** means the principle and interest amount outstanding in the account of the borrower in respect of term loan and working capital as on the date of considering the loan as NPA-Doubtful loan account as defined under the Asset Classification guidelines issued by Reserve Bank of India.
- (iv) **“Collateral Security Guarantee Cover”** means the maximum cover available per eligible borrower to the extent of the collateral security guarantee amount or non recoverable amount out of outstanding amount whichever is less.

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- (v) "Eligible borrower" means Micro-Small and Medium Enterprises from Scheduled Castes and Scheduled Tribes of Karnataka to which credit facility has been provided by the KSFC which could be a proprietary concern, partnership firm formed under Indian Partnership Act, Limited Liability Partnership firm established under Limited Liability partnership Act, Joint-Stock Company incorporated under the Companies Act 1956 or a Trust registered under the Indian Trusts Act or a Society registered under Karnataka Societies Act.
- (vi) "Micro-Small and Medium Enterprises" means an industrial undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods or rendering of any service or services as defined in the MSMED Act, 2006.
- (vii) "Government" means Government of Karnataka represented by the Social Welfare Department.

3. Conditions of the Scheme:

- (i) The SC/ST borrowers as defined at (v) pre-para who are availing the loan for new Micro-Small and Medium enterprises from KSFC are eligible for Collateral Security Guarantee Cover (*herein after called as CSGC*) under this Scheme.
- (ii) The Collateral guarantee cover will be available for a period of 8 years from the date of guarantee or date of loan termination whichever is earlier or such period as may be specified by the Government from time to time.
- (iii) The Second Party KSFC shall not be entitled to a guarantee in respect of any eligible credit facility granted by it to the eligible borrowers unless it has obtained consent in writing from First Party.
- (iv) The borrower(s) shall produce the Caste Certificate from the competent authorities to avail CSGC. All partners/directors of firm/company/members of the trust or society shall be from SC/ST category holding 100% share capital/corpus.
- (v) The CSGC shall be approved by the Committee before disbursement of loan.
- (vi) The extent of CSGC to be extended under this scheme :-



- a. The maximum extent of CSGC is limited to fixed percentage as per prevailing Lending Policy of KSFC for the credit facility sanctioned for the assets other than land and building subject to the maximum ceiling of Rs.2.00 crore only per borrower.
- b. The KSFC shall communicate to the Trust the extent of CSGC required while sanctioning the credit facility and thereafter the required CSGC will be provided. The extent of guarantee cover is as under.

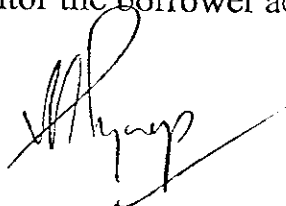

Category	Maximum guarantee cover by the government/trust for the Collateral security	Remarks
Working capital and Where the loans are only for movable assets such as borewell rig units, commercial vehicles, financing of plant and missionary in leased premises etc.,	70 % of collateral security requirements	The remaining 30% is to be offered by the promoter.
In all other cases	100 % of collateral security requirements	-

(The guarantee cover is subject to maximum ceiling of Rs.2.00 crore per borrower)

- (vii) The borrower is liable to repay the entire outstanding loan amount irrespective of collateral security guarantee amount. The liability of government ceases on the payment of last installment of loan. If, KSFC recovers the full outstanding amount from the borrower after invoking and adjusting collateral security guarantee amount, in such cases the collateral security guarantee amount, full or part thereof, shall be refunded to the Government.

4. Responsibilities of KSFC under the scheme:-

- (i) It shall evaluate credit applications by using prudent banking norms and shall use their business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.
- (ii) It shall closely monitor the borrower account.

- (iii) It shall safeguard the primary securities taken from the borrower in respect of the credit facility by monitoring the account closely and ensure that the assets are insured for the risks of fire, riot, strikes or malicious damage and comprehensive insurance in respect of loans given to transport vehicles.
- (iv) It shall ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Government in the form and in the manner and within such time as may be specified by the Government in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Government facing higher guarantee claims.
- (v) The payment of guarantee claim by the Committee to the KSFC does not in any way take away the responsibility of the KSFC to recover the entire outstanding amount of the credit from the borrower. It shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate such necessary actions for recovery of the outstanding amount with interest including such action as may be advised by the Government.
- (vi) The KSFC shall comply with such directions as may be issued by the Government, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Government may deem fit and the KSFC shall be bound to comply with such directions.
- (vii) It shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Government in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trust. The KSFC shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trust as the guarantor. In particular, the KSFC should intimate the Trust while entering into any compromise or arrangement, which may have effect of discharge may have effect on CSGC. The KSFC shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee. Further the KSFC shall secure for the Government or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the Government.


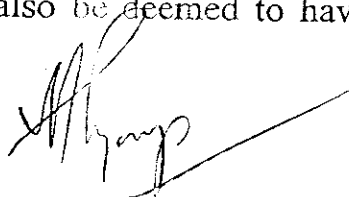


5. The guarantee fee and Annual Renewal Fee for CSGC is to be paid by KSFC to the First Party as under:-

- a. 1% of the CSGC amount as one-time fee and annual renewal fee at 0.50% of amount every year over the period of continuation of guarantee or till the account become doubtful NPA whichever is earlier.
- b. The KSFC may recover the guarantee fee/annual renewal fee from the borrower at its discretion or out of its own funds.
- c. The Guarantee Fee shall be paid upfront to the Government by KSFC within 30 days from the date of First Disbursement of credit facility or such date as specified by the Trust. The Annual Renewal Fee will be paid on the due date commencing from the end of first year from the date of payment of Guarantee Fee.
- d. In the event of non-payment of annual renewal fee, CSGC shall not be available to KSFC unless the Trust agree for continuance of CSGC and KSFC pays penal interest on the Annual Renewal Fee due and unpaid with effect from with interest at 4% p.a. or at such rates specified by the Trust from time to time for the period of delay.
- e. The guarantee fee and / or annual fee once paid by the KSFC is non-refundable except under certain circumstances like -

- (i) Excess remittance
- (ii) Remittance made more than once against the same credit application
- (iii) Guarantee fee & / or annual service fee not due
- (iv) Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.
- (v) The CSGC will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the loan.

6. Any notice required to be served on the surety shall for the purpose of this agreement, be deemed to be sufficiently served if it is left at the above place of address or residence of the surety or affixed on any part of the schedule properties and such notice shall also be deemed to have been made at the time at which the

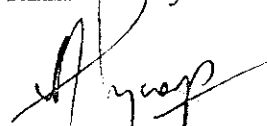


registered letter would in the ordinary course be delivered even though returned unserved on account of refusal, if any party or otherwise howsoever.

7. CLAIMS

Invocation of guarantee

- i. The moratorium period for recovery of instalments etc, will be as per the policy of the KSFC. Normally, the collateral security guarantee shall not be invoked during the moratorium period except in extraordinary situation.
- ii. The KSFC may invoke the CSGC provided under this scheme by lodging the claim with the Government within a period of one year after the account becomes NPA-Doubtful Category after initiating recovery action against the primary assets and recalling the loans.
- iii. The KSFC may invoke the guarantee in respect of credit facility *within a maximum period of one year from date of account becoming NPA-Doubtful category* subject to the following conditions:
 - a. The guarantee in respect of the credit facility which was in force at the **time of account becoming NPA- Doubtful category.**
 - b. After the moratorium period as fixed by the KSFC, either from the date of last disbursement of the loan to the borrower or the date of payment of the guarantee fee in respect of credit facility, whichever is later, has elapsed.
 - c. The amount due and payable to the KSFC in respect of the credit facility has not been paid and the account been classified as **NPA- Doubtful category.**
 - d. The credit facility has been recalled and the recovery proceedings have been initiated under due process of law. Mere issuance of recovery notice cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CSGC. KSFC shall take further action for recovery as contained in the SFCs Act or other relevant acts/rules before submitting claims for part/full guaranteed amount as the case may be from the Trust and continue to take measure for full recovery of the amount due.
 - e. The claim should be preferred by the KSFC as and when the borrower committed default and fallen to doubtful category.
 - f. The First Party shall pay 75% of the guaranteed amount on preferring of eligible claim by the KSFC, within 60 days from the date of claim.



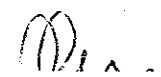
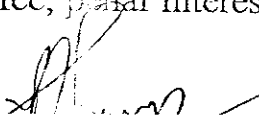
- g. The First Party shall pay to Second Party interest on the eligible claim amount at the rate as per Loan Agreement / Mortgage Deed for the period of delay beyond 60 days. The balance 25% of the guaranteed amount will be paid on conclusion of recovery proceedings by the KSFC. On a claim being paid, the First Party shall be deemed to have been discharged from all its liabilities on account of the guarantee in force in respect of the borrower concerned.
- h. In the event of account, becoming NPA-Doubtful *category*, the KSFC shall exercise its rights, if any, to take over the assets of the borrowers and the amount realised, if any, from the sale of such assets or otherwise and shall be appropriated to the dues in the account of the borrower before it claims the remains 25% of guaranteed the amount. Further the KSFC is liberty to proceed with further recovery action for recovery of balance dues if any after claiming remaining 25% of guaranteed amount. However, after conclusion of recovery proceedings, if there is excess amount over and above the dues of KSFC shall be reimbursed to the First Party to the extent of amount paid by the First Party. Further if the borrowers come forward to close the account in the normal course after claim is lodged, the KSFC shall reimburse the guaranteed amount released by the First Party, if any, with interest as per agreement.
- i. The guarantee claim shall be submitted by the Head office of the KSFC.

8. Subrogation of rights and recoveries on account of claims paid

- (i) The KSFC shall furnish to the First Party, the details of its efforts for recovery, realisations and such other information as may be demanded or required from time to time. KSFC will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The First Party shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc., shall rest with the KSFC. Every amount recovered and due to be paid to the First Party shall be paid without delay, and if any amount due to the First Party remains unpaid beyond a period of 60 days from the date on which it was first recovered, interest shall be payable to the First Party by KSFC at the rate charged to the borrower for the period for which payment remains outstanding after the expiry of period of 60 days.

9. Appropriation of amount received by KSFC

The amount received by KSFC shall be appropriated in the order in which the annual fee, penal interest and other charges have fallen due. If the



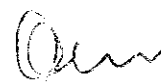
annual fee and the penal interest have fallen due on the same date, then the appropriation shall be made first towards annual fee and then towards the penal interest and finally towards any other charges payable in respect of the eligible credit facility.

10. Termination of liability to be terminated in certain cases

- (i) If the liabilities of a borrower to the KSFC on account of any eligible credit facility guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.
- (ii) If a borrower becomes ineligible for being granted any credit facilities under the Scheme, by reason of cessation of his activity or his undertaking ceasing to come within the condition of this scheme, the liability of the Trust in respect of any credit facilities granted to him by a KSFC under the Scheme shall be limited to the liability of the borrower to the KSFC as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of the Trust fixed under this Scheme. However, notwithstanding the death or retirement of a partner where the borrower is a partnership firm or the death of one of the joint borrowers, if KSFC is entitled to continue the credit facilities to the surviving partner or partners or the surviving borrower or borrowers, as the case may be and if the credit facilities have not already become default account, the guarantee in respect of such credit facilities shall not to be deemed to be terminated as provided in this paragraph.

11. Returns and Inspections

- (i) The KSFC shall submit such statements and furnish such information as the First Party may require in connection with any credit facility under this Scheme.
- (ii) The KSFC shall also furnish to the First Party all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the KSFC or any officer thereof for anything done in good faith.



- (iii) The First Party shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the KSFC, and of any borrower from the KSFC. Such inspection may be carried out either through the officers of the Government/Trust if any, or any other person appointed by the Government/Trust for the purpose of inspection. Every officer or other employee of the KSFC or the borrower, who is in a position to do so, shall make available to the officers of the Government/Trust or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.

12. Conditions imposed under the Scheme to be binding on the KSFC:

- (i) Any guarantee given by the Trust shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.
- (ii) The KSFC shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but not withstanding any provision in any other document or contract, the KSFC shall in relation to the Trust be bound by the conditions imposed under the Scheme.

13. Modifications and exemptions:


- (i) The Government/Trust reserves to itself the right to modify, cancel or replace the scheme so, however, that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
- (ii) Notwithstanding anything herein contained, the Government/Trust shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been extended as on the date of such alteration.
- (iii) In the event of the Scheme being cancelled, no claim shall lie against the Government/Trust in respect of facilities covered by the Scheme, unless the provisions of this Scheme are complied with by the KSFC and the validity of guarantee which is in currency prior to the date on which the cancellation comes into force.




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- (iv) It is mutually agreed that any addition / alteration / modifications needed to implement the scheme more effectively may be caused to this Agreement by means of an addendum which shall be in writing and signed by both the parties.

IN WITNESS WHEREOF the Corporation has set its hand hereto through its Managing Director Dr. Ekroop Caur, IAS, and Karnataka Collateral Security Guarantee Fund Committee has set its hand here to through its Committee, on the day, month and year first written herein above.


SIGNED AND DELIVERED by the
within named KSCSGC and the hand of
Sri M. Lakshminarayana IAS its Chaiman

M. Lakshminarayana IAS.,
Additional Chief Secretary to Government
Social Welfare Department


SIGNED AND DELIVERED by the
within named KSFC by the hand of
Smt Dr. Ekroop Caur, IAS, its M D

Dr. Ekroop Caur, I.A.S.
Managing Director
KARNATAKA STATE FINANCIAL CORPORATION
'KSFC Bhavan' No.1/1, Thimmatah Road
Bengaluru - 560 052


4. The guarantee fee and Annual Renewal Fee for CSGC is to be paid by KSFC to the Government/Trust as under:-

- a. 1% of the CSGC amount as one-time fee and annual renewal fee at 0.50% of amount every year over the period of continuation of guarantee or till the account become doubtful NPA whichever is earlier.
- b. The KSFC may recover the guarantee fee/annual renewal fee from the borrower at its discretion or out of its own funds.
- c. The Guarantee Fee shall be paid upfront to the Government/Trust by KSFC within 30 days from the date of First Disbursement of the credit facility or such date as specified by the Government/Trust. The Annual Renewal Fee will be paid on the due date commencing from the end of first year from the date of payment of Guarantee Fee.
- d. In the event of non-payment of annual renewal fee, CSGC shall not be available to KSFC unless the Government/Trust agree for continuance of CSGC and KSFC pays penal interest on the Annual Renewal Fee due and unpaid with effect from with interest at 4% p.a. or at such rates specified by the Government/Trust from time to time for the period of delay.
- e. The guarantee fee and / or annual fee once paid by the KSFC to the Government/Trust is non-refundable except under certain circumstances like –
 - (i) Excess remittance
 - (ii) Remittance made more than once against the same credit application
 - (iii) Guarantee fee & / or annual service fee not due
 - (iv) Guarantee fee paid in advance but application not approved for guarantee cover under the scheme, etc.
 - (v) The CSGC will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the loan.

5. Agreement to be executed by the KSFC

The KSFC shall not be entitled to a guarantee in respect of any eligible credit facility granted by it to the eligible borrowers unless it has entered into an agreement with the Government/Trust in such form as may be required by the Government/Trust under this Scheme.

6. Responsibilities of KSFC under the scheme:-

- (i) It shall evaluate credit applications by using prudent banking norms and shall use their business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.
 - (ii) It shall closely monitor the borrower account.
- 

- (iii) The Collateral guarantee cover will be available for a period of 8 years from the date of guarantee or date of loan termination whichever is earlier or such period as may be specified by the Government from time to time.
- (iv) The borrower(s) shall produce the Caste Certificate from the competent authorities to avail CSGC. All partners/directors of firm/company shall be from SC/ST category holding 100% share capital.
- (v) The moratorium period for recovery of instalments etc, is as per the policy of the KSFC. Normally, the collateral security guarantee shall not be invoked during the moratorium period except in extraordinary situation.
- (vi) The KSFC may invoke the CSGC provided under this scheme by lodging the claim with the Government within a period of one year after the account becomes NPA-Doubtful Category after initiating recovery action against the primary assets and recalling the loans.
- (vii) The CSGC shall be approved by the Government/Trust before disbursement of loan.
- (viii) The extent of CSGC to be extended under this scheme :-

- a. The maximum extent of CSGC is limited to fixed percentage as per prevailing Lending Policy of KSFC for the credit facility sanctioned for the assets other than land and building subject to limiting the cover to maximum of Rs.2.00 crores only.
- b. The KSFC shall communicate to the Trust the extent of CSGC required while sanctioning the credit facility and thereafter the required CSGC will be provided. The extent of guarantee cover is as under.

Category	Maximum guarantee cover by the government/trust for the Collateral security	Remarks
1) Working capital and Where the loans are only for movable assets such as borewell rig units, commercial vehicles, financing of plant and machinery in leased premises etc.,	70 % of collateral security requirements	The remaining 30% is to be offered by the promoter.
2) In all other cases	100 % of collateral security requirements	-

The borrower is liable to repay the entire outstanding loan amount irrespective of collateral security guarantee amount. The liability of Government/Trust ceases on the payment of last instalment of loan. If, KSFC recovers the full outstanding amount from the borrower after invoking and adjusting collateral security guarantee amount, in such cases, the collateral security guarantee amount, full or part thereof, shall be refunded to the Government/Trust.



ANNEXURE - III

APPLICATION FOR CREDIT GUARANTEE COVER

(Under Credit Guarantee Cover Scheme for SC/ST entrepreneurs of Government of Karnataka)

PART-I

1	Name of the unit / firm /company	
2	Address:	a)Office: b)Factory
3	Constitution	Proprietary/partnership/company
4	Names of the promoter / partners / Directors	1) 2) 3)
5	Size of the industry	Micro/Small/Medium
6	Activity	
7	Loan applied	Term Loan: WCL:

DECLARATION

We hereby declare that all the promoters/partners/Directors of the applicant concern/firm/company belong to SC/ST category and this is a new micro/small/medium enterprise and is eligible for coverage under Karnataka State Collateral Security Guarantee Fund Scheme. The information furnished above are true to the best of our knowledge and belief. I am /We are agreeable to bear the guarantee cover fee and the annual renewal fee as stipulated by the Government of Karnataka/ KSFC from time to time.

Signature

Date:
Place:

PART-II
(To be filled in by KSFC)

1	Name of the applicant unit				
2	Brief Background				
3	Project Cost & Means of finance	COST OF PROJECT		MEANS OF FINANCE	
		Total		Total	
4	Details of Loan sanction				
5	Repayment schedule				
6	Details of securities offered	Primary :	Rs in lakhs		
		Land			
		Building			
		Plant & Machinery			
		Collateral Security			
7	Brief Description of security				
8	Collateral security required as per Lending Policy	Rs in lakhs			
9	Collateral security offered by the promoters	Rs in lakhs			
10	Collateral Guarantee cover required from GoK	Rs in lakhs			

BRANCH MANAGER

Place:

Date:

ANNEXURE – IV

(For office use of the Trust)

CLAIM APPLICATION FOR CREDIT GUARANTEE COVER
(under Credit Guarantee Cover Scheme for SC/ST entrepreneurs of Government of Karnataka)

1	Name of the unit / firm / company	
2	Address:	a)Office: b)Factory
3	Account No	
4	Details of loan sanction	
5	Date of account becoming Doubtful NPA	
6	Liability	As on Loan Balance Principal Interest Other Debits Total over dues Total Liability
7	Details of Recovery taken and the present position	
8	Credit Guarantee cover Amount	
9	Claim Amount	
10	Remarks	

BRANCH MANAGER

Place:

Date: