



Karnataka
State Financial
Corporation

Lending Policy 2020

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Karnataka State Financial Corporation
Head Office : Bangalore

LENDING POLICY 2020

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CIRCULAR

Sub : Lending Policy 2020

A note on modifications to Lending Policy was placed before the Board in its meeting held on 26.06.2020

The amendments have been approved by the Board. A summary of amendments and the policy document incorporating the amendments have been enclosed.

While deliberating on the amendments the Board observed that caution should be exercised on exposure to sectors affected by COVID-19. The Branch Managers and Senior Officers are, therefore instructed to assess carefully the risks involved in the projects before recommending the proposals for sanction.

The modified Lending Policy 2020 will come into effect immediately.

Further clarification on modifications, if any may be referred to Executive Director-I.

Elmoop Carr
MANAGING DIRECTOR 10/8

To,

All the HODs at Head Office
All the BMs/AGMs/DGMs of BOs/IA Cells
The General Managers
The Executive Directors
Library

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Lending Policy 2020

PREAMBLE :

The State of Karnataka with geographical area of 1.92 lakh sq. kms, population of 52.85 million, GDP of US\$.33.81 billion and industrial growth of 7.76% has the distinction of playing strong and vibrant industrial base with intrinsic strength of public sector undertakings and privately owned industries and a very widely dispersed MSME sector.

The State has emerged as Knowledge and Technology Capital of the country and is recognized as Silicon Valley of the Asian region and is also noted as the Capital of Bio-technology and Hub of Start-Ups. The State has the distinction of 20 Universities, 192 engineering colleges, 42 medical colleges and 248 polytechnics, 600 ITIs, more than 103 R&D centers and over 664 MNCs.

As of November 2019, Presently, 51 SEZs are notified, out of which 31 SEZs are operational. Karnataka has 47 IT / ITes SEZs and dedicated IT investment regions. There are 3,500 IT companies in the state. The state houses 550,000 IT professionals or 1/3rd of the total IT professionals in the country. At least 400 Fortune 500 companies have outsourcing operations. The state is India's largest software exporter, with electronics and computer software exports totaling to US\$ 77.9 billion in 2018-19 and reached US\$ 42.5 million during 2019-20 (till November 2019).

As of February 2020, the State had an installed power generation capacity of 29,824.81 MW. Out of this, central utilities contributed 4,012.45 MW, private utilities contributed 17,011.88 MW and 8,800.49 MW was under state utilities.

Karnataka is the first state which came out with an Aerospace Policy in the country. Karnataka Aerospace Policy has identified an investment potential of US\$ 12.5 billion in this sector during 2013-23 and plans to develop aerospace clusters in different regions of the state. Karnataka government gives approval for investment of Rs 480 crore (US\$ 68.68 million) to Goodrich Aerospace Service Pvt. Ltd., to establish a unit in Bengaluru.

The state has attracted Foreign Direct Investment (FDI) equity inflows worth US\$ 44.70 billion during the period April 2019 to December

2020, according to data released by Department for Promotion of Industry and Internal Trade (DPIIT).

Karnataka State Financial Corporation has been playing a major role in the industrialization of the State, balanced regional development, assistance to first generation entrepreneurs and also assistance to the socially disadvantaged sections.

The Corporation during its 60 years financial service in the state, it has assisted over 1.72 lakh units amounting to over Rs.17,883.96 crore. The assistance to First Generation Entrepreneurs is Rs.7,769.45 crore (43%) to 87,110 enterprises. The flow of assistance to backward districts is Rs.6,737.10 crore (38%) to 81,262 enterprises.

The Corporation has put in place a lending policy document to align its operations in line with general economic scenario and efficient of delivery of credit to MSME sector. The first comprehensive lending policy document was introduced 2001-02 was effected which is being updated to catch up with the changes. The new Lending Policy 2020 is formulated with the following objectives.

1. OBJECTIVES OF THE LENDING POLICY 2020 :-

The broad objective of the lending policy of the Corporation are outlined hereunder:

- a. To establish a comprehensive credit strategy to fulfil the corporate mandate as per the SFC Act, 1951, amended from time to time, and undertake all such activities directly or indirectly, that are beneficial to the MSME Sector.
- b. To ensure efficient delivery of credit with focus on asset growth and quality coupled with growth in income.
- c. To encourage various functionaries to innovate and evolve competitive products based on market requirements.
- d. To provide indicative guidelines to various policy & functional level officers of the Corporation for measures to be taken for improving the credit delivery and customers satisfaction.
- e. To encourage expansion and diversification of credit portfolio, especially through coverage of thrust areas / industries / sectors / newer areas of business, loan syndication etc. and profitable deployment of the Corporation's funds.

- f. To strengthen the risk management systems and ensure close monitoring of the credit portfolio so as to prevent fresh slippages into NPAs.
- g. To explore new channels of credit delivery for the benefit of MSMEs.

2. ELIGIBLE ACTIVITIES FOR FINANCIAL ASSISTANCE:-

The SFCs Act prescribes broadly the types of activities, which are eligible for financial assistance from the Corporation. The Act also provides for SIDBI to include newer areas of activities for financial assistance from time to time. This apart, the Corporation has also evolved its own schemes under broad guidelines of SFCs Act depending upon market potential. The activities which are eligible for financial assistance from the Corporation are grouped into following two broad categories:

2.1 Activities as listed out in the SFCs' Act:-

The State Financial Corporations' (Amendment) Act, 2000, provides the list of activities which can be covered under the list of industrial concern engaged or to be engaged in :-

- (i) Manufacture, preservation or processing of goods;
- (ii) Mining or development of mines
- (iii) Hotel industry;
- (iv) Transport of passengers or goods by road or by water or by air (or by rope way or by lift);
- (v) Generation or distribution of electricity or any other form of power;
- (vi) Maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors;
- (vii) Assembling, repairing or packing any article with the aid of machinery or Power:
- (viii) Setting up or development of an industrial area or industrial estate;
- (ix) Fishing or providing shore facilities for fishing or maintenance thereof:
- (x) Providing weigh bridge facilities

- (xi) Providing engineering, technical, financial management, marketing of Other services or facilities for industry;
- (xii) Providing medical, health or other allied services;
- (xiii) Providing software or hardware services relating to information technology, telecommunications or electronics including satellite linkage and audio or visual cable communication;
- (xiv) Setting up or development of tourism related facilities including amusement parks, convention centers, restaurants, travel and transport(including those at airports), tourist service agencies and guidance and counseling services to the tourists;
- (xv) Construction;
- (xvi) Development, construction and maintenance of roads;
- (xvii) Providing commercial complex facilities and community centers including conference halls;
- (xviii) Floriculture;
- (xix) Tissue culture, fish culture, poultry farming, breeding & hatcheries;
- (xx) Service industry, such as altering, ornamenting, polishing, finishing, oiling, washing, cleaning or otherwise treating or adapting any article or substance with a view to its use, sale transport, delivery or disposal;
- (xxi) Research and development of any concept technology, design, process or product whether in relation to any of the matter aforesaid, including any activities approved by the Small Industries Bank; or
- (xxii) Such other activity as may be approved by the SIDBI.

2.2 Activities Permitted by SIDBI :

- (i) Construction / buying of ready-built showrooms and sales outlets (only fixed assets are eligible for financing, items kept for sale are not eligible for financing);
- (ii) Construction / buying of ready-built area for establishing departmental stores and shopping malls (only fixed assets are eligible for financing, items kept for sale are not eligible for financing);
- (iii) Setting up of Medical Stores (only fixed assets are eligible for financing, items kept for sale are not eligible for financing);
- (iv) Setting up of vocational training centres for imparting technical knowledge to entrepreneurs for setting up and running units efficiently and to produce quality goods;

- (v) Setting up entertainment industry including production of films.
- (vi) Such other activity as may be approved by the SIDBI.

3. DIFFERENT SCHEMES OPERATED IN THE CORPORATION :-

Based on the activities permitted under the SFCs Act the Corporation has formulated various schemes for extending financial assistance.

- (i) Interest Subsidy / Subvention Scheme for Entrepreneurs belonging to all Categories of Entrepreneurs.
- (ii) Interest Subsidy Scheme of Government of Karnataka for SC & ST Entrepreneurs.
- (iii) Scheme for Construction & Real Estate[CRE] Projects.
- (iv) Scheme for Micro Finance Activity.
- (v) Scheme for Financing Wind Mill Power Projects.
- (vi) Scheme for Acquisition of Private Vehicles.
- (vii) Scheme for Assistance to Professional Educational Institutions.
- (viii) Scheme for Restructured TUF scheme of Govt. Of India.
- (ix) Modified Single Window Scheme.
- (x) Scheme for Wine Manufacturing Industry.
- (xi) Scheme for Rental Discounting.
- (xii) Scheme for Tourism Related Activities.
- (xiii) Privileged Entrepreneurs Scheme.
- (xiv) Scheme for Working Capital Term Loan for New and Existing Units.
- (xv) Scheme for Health Care Services.
- (xvi) Scheme for Corporate Loan.

Brief particulars of various schemes is given at Annexure-II. For more details / procedure in each scheme, corresponding circulars may be referred.

4. POLICY ON LINES OF ACTIVITY:-

It is a known fact that saturation, obsolescence, un-viability, economy of scales, geographical factors, environmental issues, infrastructure, global economy / markets etc., do have a bearing on lines of industrial / business activity to be encouraged for financing. Some of these parameters keep changing from time to time depending upon the external environment and environment within the industry. It is therefore essential to make a periodical review of

the performance of these activities in order to determine the policy on supporting any activity in a particular period of time and at a particular geographical location.

Keeping these issues in mind activities are grouped under the following four categories:

1. Thrust Sector and Focus areas;
2. Normal Sector;
3. Restricted Sector and
4. Prohibited Sector.

The “Thrust Sector” represents high priority areas chosen for lending by the Corporation. Under the thrust sector specific areas are identified to be given special focus during the current financial year. The Corporation will take-up special publicity, awareness and training drives to give more thrust to these areas of activities.

The “Normal Sector” represents the activities which may be traditional ones, but still doing profitably by virtue of good demand.

The “Restricted Sector” represents areas, which require more careful scrutiny than usual and certain amount of restraint.

The “Prohibited Sector” represents the activities where new units are to be discouraged. Both new loan proposals and proposals for expansion and modernisation of the activities under prohibited sector, can be considered with the prior approval of the MD/CMD.\

The list of products / activities under different sectors is furnished vide Annexure-I. Classification of products / activities not indicated in the list shall be decided by the concerned the General Manager where collateral security is provided to an extent of 100% of the loan amount. If the collateral security is less than 100%, such cases should be approved by the Managing Director.

5. MSMEs DEFINITION TO BE FOLLOWED:-

Definitions of Micro, Small & Medium Enterprises:

In accordance with the provisions of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, the Micro, Small and Medium Enterprises (MSME) are classified as follows:

Composite Criteria: Investment in Plant & Machinery / Equipment and Annual Turnover.

| Classification | Micro | Small | Medium |
|--|--|--|---|
| Manufacturing Enterprises and Enterprises rendering Services | Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover; not more than Rs.5 crore | Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover; not more than Rs.50 crore | Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover; not more than Rs.250 crore |

6. POLICY ON EXPOSURE LIMITS:-

6.1. Policy on Minimum Loan Size.

General Category Entrepreneurs : The minimum loan size is Rs. 5.00 lakhs which is applicable for all activities except Medical and Veterinary Doctors where minimum limit is Rs.2.00 lakhs for general category of entrepreneurs.

The minimum size of the loan for others is Rs.2.00 lakhs in case of existing units going for expansion / modernization.

Scheduled Caste & Scheduled Tribes Entrepreneurs: The minimum loan size is Rs. 10.00 lakhs which is applicable for all activities / sectors [Pls. refer circular no.925(A) dtd.6.3.2017].

6.2. Policy on Upper Limit on the Loan Amount & Limit of Accommodation:

Maximum limit of loans that can be sanctioned by the Corporation are as follows:

| Category | Maximum Loan |
|--|-------------------|
| i) Proprietary / Partnership / Trust | *Rs.800.00 lakhs |
| ii) Corporate bodies (both private & public limited), registered co-operative societies. | *Rs.2000.00 lakhs |

- ❖ SIDBI has permitted the Corporation to provide assistance to individual unit's upto Rs.1000.00 lakhs in case of a Company or a Co-operative Society and Rs.400.00 lakhs in case of a Proprietorship / Partnership/ Trusts etc., without seeking prior approval of SIDBI.
- ❖ In respect of category (ii) the financial assistance can be granted provided the paid up capital & free reserves do not exceed Rs.30.00 crore.

If the requirements of the funds for a project is substantial and cannot be extended by the Corporation alone, then the requirement of loan for such projects can be met in consortium with other Banks / Financial Institutions subject to the condition that the paid up capital and free reserves of the applicant company does not exceed Rs.30 crores.

Limit of Accommodation to Limited Liability Partnership:

According to SIDBI, LLPs could at present be covered only under clause [ii] of Section 26, according to which the maximum limit of accommodation is Rs. 400.00 lakhs which can be enhanced to Rs.800.00 lakhs with prior approval of SIDBI. Please refer Circular No. 926, dtd. 2.12.2016.

6.3. Policy on Group Wise Exposure:

- ❖ The maximum exposure limit is fixed at **Rs.30.00** crores inclusive of all fund based and non fund based assistance for companies and co-operative societies.
- ❖ For Proprietary, Partnership units and Trusts, the exposure limit is fixed at Rs.20.00 crores of all fund based and non fund based assistance.
- ❖ Where any of the associate units of the applicant unit / applicant firm / trust is a company, the exposure limit as applicable to the company shall be applicable.

Guidelines as adopted from Companies Act 2013 be used for identifying the Group companies / associate companies.

6.4 Policy on Sector Wise Exposure:

Recommended Sector Wise Exposure:

New sector-wise exposure is worked out based on the potential and performance of units, in each sector. Based on this criteria, the following limit on sector-wise exposure is fixed:

| Major Sectors | Exposure Limit (as % age to Total Outstanding) |
|--|---|
| 1. CRE Sector | 16.00% |
| 2. Hospitality Sector | 20.00% |
| 3. Services & others Sector | 12.00% |
| 4. Health Sector | 5.00% |
| 5. Professional / Technical Educational Institution | 2.00% |
| 6. Micro Finance Sector | Rs. 20.00 crores |

Industry wise / Product wise exposure is shown in detail in Annexure-IV.

The MD/CMD is authorized to cause change to the lending policy's sector wise exposure, based on the business proposal, subject to a maximum of 2% over and above the percentage proposed in the policy and the Board shall be kept informed about the said changes.

Based on RBI guidelines, the following activities which are being financed by the Corporation are classified under CRE Sector:

- a) Residential Layout development.
- b) Residential Apartments
- c) Commercial and Office Building
- d) Warehouse / Godowns prominently used for sub-letting.
- e) Assistance under rental discounting schemes.

[For more details, please refer Circular no.883 dtd.01.12.2009, Circular No.990 dtd.16.01.2015 & Circular No.1000 dtd.02.02.2018].

However, if the projects c & d are managed by the entrepreneurs on their own and earn the income shall be excluded from the limit specified for CRE sector.

7. GUIDELINES ON PROCESSING OF LOAN APPLICATIONS:-

7.1 Project Clearance Committee shall be constituted as follows:
[as per ION No.KSFC/HO/MD/8-19-20 dtd.04.11.2019].

| Sl. No. | Project Clearance Committee Members | Members |
|---|---|------------------|
| 1 | General Manager - Concerned Circle | Chairman |
| 2 | Branch Manager / Asst. Gen. Manager / Dy. Gen. Manager* | Member |
| 3 | Sr.Manager [Tech] / Manager [Tech] | Member |
| 4 | Sr.Manager [Legal] / Manager [Legal] | Member |
| 5 | Sr.Manager [F&A] / Manager [F&A] | Member |
| 6 | Sr.Manager [EG] / Manager [EG] | Member /Convener |
| *applicable accordingly branch offices grade. | | |

- a) **All the loan proposal upto Rs.150.00 lakhs [including loan proposals falling with in the delegated sanction powers of the Branch Managers] shall be placed before the Project Clearance Committee chaired by respective General Manager and loan applications can be issued and accepted only after clearance is given by respective PCC chaired by General Manager.**
- b) **Loan proposals above Rs.150.00 laksh and below Rs.1,000.00 lakhs shall be cleared by PCC chaired by Executive Directors.**
- c) **Loan Proposals above Rs.1,000.00 lakhs, shall be cleared by PCC chaired by the Managing Director.**

NOTE : The Existing guidelines of obtaining in principle clearance from the MD / CMD shall continue in respect of all Construction and Real Estate projects, Corporate Loan and Privileged Entrepreneurs Loan proposals.

The Branch shall obtain credit rating from approved external rating agency in case of all new proposals of Rs.150.00 lakhs and above excluding CRE Projects. The RMD [Risk Management Department at Head office] shall carryout in-house rating of proposals involving a loan amount Rs.150.00 lakhs and above. The Credit Risk Rating as assessed by the Risk Management Dept., shall prevail over other ratings. Proposals involving a loan amount of more than Rs. 500.00 lakhs shall be placed before the CRMC [Credit Risk Management Committee at Head office] for clearance.

7.2 KYC Norms [Circular No.904 Dt.02.06.2010]:-

a) Following details of promoter/promoters to be incorporated in the appraisal online package:

Name
Date of Birth
Permanent Resident Address*
Registered Unit Address *
Aadhaar Card Number
EPIC Number
PAN Number
Passport Number
Land Line Phone Numbers
Mobile Phone Numbers
Bank Name, Address & Account Number
Caste certificate in respect of SC / ST Entrepreneurs **
Email ID

In case of Companies/Firms, exclusive email ID and Mobile Phone Number of the unit, apart from that of the Promoters' have to be incorporated in the package.

* As part of KYC compliance, address verification is to be done by appraising officer.

**In respect of SC/ST Entrepreneurs, the caste certificate verification is to be made through Nadakacheri website.

- b) Udyog Aadhaar Memorandum:** The entrepreneurs who approach for term loan may be advised to register themselves with the Ministry of MSME under Udyog Aadhaar Memorandum. For details they can refer to the <http://udyogaadhaar.gov>. in maintained by the Ministry of Micro, Small & Medium Entrepreneurs.[Pls. refer circular no. 923, dtd. 01.02.2016].

7.3 CIBIL Reports:-

The Benchmark CIBIL trans-union score is revised from 750 to 650. If CIBIL score is less than 650, specific approval from concerned General Manager should be obtained before accepting the proposal.

The No Due Certificate from the concerned Banks / Institutions mentioning the amount sanctioned and date of sanction as reflected in CIBIL report should be obtained in respect of over dues accounts mentioned in CIBIL report. Financing proposals from new customers where the trans-union score is less then 600 should not be accepted. In case of partnership firms / companies [private / public], if any of the partners / directors' score is less than 600, such proposals may be sent for acceptance to the respective General Manager based on merits.

The CIBIL Commercial report should be taken and analysed in respect of the applicant unit and the associate units and adverse features if any should be clearly brought out in the appraisal memorandum.

7.4 Loan Application Processing Fee (LAFD):

The applicable processing fees along with GST are as under:

| Sl. No. | Particulars | Processing fees |
|---------|---|---|
| 1 | All loans excluding Privileged Entrepreneurs loan | ½% of the loan amount + applicable GST on the processing fee. |
| 2 | Privileged Entrepreneurs loan | ¼% of the loan amount + applicable GST on the processing fee. |

As per ION Dt.16.10.2017, there will be reimbursement of processing fee from Department of Industries and Commerce for SC/ST Entrepreneurs who are availing term loan from KSFC for the first time.

7.5 Refund of Processing Fee to Entrepreneurs: [Circular No.911 dtd.04.03.2014]:

The refund of LAFD in respect of loan proposals not sanctioned / rejected is as under:

a) Refund of 75% Processing Fee:

- ❖ The assistance sought-for is not sufficiently backed by the collateral security as agreed at the time of accepting the application or any defects in title deeds.
- ❖ The promoters have not been able to furnish the required information to finalise the proposal. Applicants are not interested to pursue their loan application and propose to withdraw for reasons beyond their control.

b) Refund of 100% processing Fee:

After accepting the applications:

- ❖ If the projects are found to be financially / technically / economically not viable as revealed at the time of appraisal.
- ❖ In respect of cases where some policy decision has been taken by the Corporation not to entertain such applications or when there is temporary ban for sanction of loan to a particular activity.
- ❖ In respect of non acceptable ratings from accredited rating agencies / internal ratings for considering the loan proposals for sanction.
- ❖ In case the proposal has been rejected by the competent authority empowered for sanction.

With the above, the refund of 75% processing fee can be exercised by the respective branch managers and as regards 100% refund, the authority rests with Executive Directors. [Ref: Circular No.KSFC/D1 5811 dated 27-08-1983 and Circular-911 dtd.4.3.2014]

7.6 Bankers Opinion :

Consequent to introduction of verification through CIBIL reports, the adverse features of accounts if any are traced in CIBIL reports. The bankers are not responding to request for opinion in writing. The system of insisting of bankers opinion in writing is discontinued in respect of existing/proven customers. As far as new customers are concerned, we shall insist on bankers opinion before issue of loan sanction communication. However if there are any adverse features in CIBIL reports, in such cases appraising officers should ensure that the over dues are cleared. The appraisal officers and branch manager should discuss with Bankers and record their observations for all proposals.

8. GUIDELINES ON FINANCIAL NORMS FOR THE PROJECT COST:

8.1 Cost of Project : would be assessed objectively and realistically. The total project cost will have to be assessed on the following heads.

| SI. No. | Particulars |
|---------|--|
| A | Land & Land Development; |
| B | Building & Civil works; |
| C | Plant & Machinery; |
| D | Misc, Fixed Assets; |
| E | Margin for Contingencies |
| F | Technical Know-How and Preliminary & Pre-operative Expenses; |
| G | Interest During Implementation; |
| H | Start-up Expenses; |
| I | Deposits; |
| J | Working Capital Margin. |

The cost of the land will have to be taken if the payment is made within a period of 18 months from the date of application. In case of land allotted by KIADB, KSSIDC, the cost will have to be ascertained as per the lease-cum-sale agreement. Disbursement of loan towards land should be made only after the cost of the land is paid by the allottee and the possession is taken. This Policy has been introduced keeping in view the IRAC guidelines that in case of delays in project implementation the account has to be classified as NPA and based on the experience of the Corporation in respect of delays in handing over possession of land by

KIADB/KSSIDC. In case land is purchased from private parties with in 18 months the cost should be taken as per the registered document.

The land development cost will have to be assessed realistically based on detailed civil estimates. The building construction cost will have to be assessed based on the civil estimates furnished by the party and the construction rates as per PWD Schedule of Rates.

The cost of plant & machinery should be assessed objectively based on the quotation and also cross verification made by the appraisal officers.

The other items of the project cost should also be assessed prudently based on the nature of the project. In case of projects involving payment of technical know-how, the agreement should be carefully scrutinized to ensure reasonableness of the amount payable and the role of the technical consultant.

8.2 Means of Finance :

The means of finance should be finalized keeping in view the minimum promoter's contribution stipulated for the scheme. Margin money, seed capital, grant, venture capital etc., should be taken as per the detailed guidelines issued from time to time.

The eligible promoter's contribution should be computed based on the minimum promoter's contribution prescribed under the various schemes. The security margin on the primary security should be followed as prescribed under the respective Product Code. For deferred payment towards land, machinery etc, provision should be made if it is paid out of the cash accruals. Any payment to be made during the implementation period will have to be factored in the promoter's contribution.

8.3 Promoter's Contribution:

The following norm may be followed while sanctioning the loan:

| Particulars | Minimum percentage on project cost |
|---------------------------|---|
| a) All district / regions | 22.5% |
| b) Rehabilitation scheme | Flexible |
| c) DG Set loan | 10% |

8.4 Debt Equity Ratio (DER):

The following DER shall be followed normally while sanctioning the loans:

| Sl. No. | SCHEME | RATIO |
|---------|---|---------------------------------|
| A | Rehabilitation Scheme | Flexible |
| B | Modernisation Scheme | Projects – 4 : 1 |
| C | Others : Upto Rs.10.00 lakhs Above Rs.10.00 lakhs | 3 : 1 2 : 1 |
| D | Additional Loans (within overall limit) | Projects – 2:1 Overall – 2:1 |
| E | CRE PROJECTS: Residential Apartment / Group housing / Residential Villas / Commercial Complexes / Industrial Complexes, Residential Layouts / Commercial Layouts / Industrial Layouts/Office Space on build and sale model * Joint Development Projects* | 1 : 1 |

* Please refer Circulars Nos. 1000 dtd.02.202.2018 issued & ION dtd 12.10.2018.

Overall DER 2:1 shall be ensured for additional term loans excluding CRE Projects. However the overall DER for Modernisation Scheme, Transport Loan Scheme and D.G. Set Loan Scheme may be considered up to 3:1.

8.5 Debt Service Coverage Ratio (DSCR):

The repayment period of loan is fixed with due regard to the cash generation. For this purpose, an average DSCR ranging between 1.50 : 1.00 to 2.00 : 1.00 has been accepted as reasonable. In projects involving mainly land / building such as commercial complexes, software technology parks, industrial estates, warehouse / godown, convention halls, commercial / office buildings etc., with assured income, the DSCR can be relaxed up to 1.25 : 1.00.

8.6 Maximum Limit of Assistance:

| Sl. No | Scheme | Maximum Assistance |
|---------------|---|---------------------------|
| a | Modernisation Scheme | 80% |
| b | Acquisition of Existing Assets / Enterprises Scheme | 70% |
| c | Transport Loan Scheme | 80% |
| d | DG Set Scheme | 90% |
| e | Privileged Entrepreneur Loan Scheme | 100% |
| f | All Other Scheme | 70% to 75% |

8.7 Interest Rate Structure :

The present interest rate structure applicable for different categories is given at Annexure-III. This is subject to revision from time to time as approved by the Board.

9. POLICY ON TIME STANDARD IN PROCESSING OF LOAN APPLICATION :

The appraisal section shall finalise the credit appraisal within 10 days in respect of cases where the project cost is below Rs.100.00 lakhs and within 20 days in respect of cases where the project cost is above Rs.100.00 lakhs and submit the loan memorandum for sanction to the appropriate sanctioning authority through proper channel.

The appropriate loan sanctioning authority should decide on the loan memorandum within three days in respect of cases where the project cost is upto Rs.100.00 lakhs and within seven days in respect of cases where the project cost is above Rs.100.00 lakhs. However, the above time limit in respect of cases placed before the Board and EC shall be subject to relaxation based on the date of meeting of Board / EC.

10. DELEGATION OF LOAN SANCTIONING POWERS :-

I. Sanctions Committee for Loans above Rs. 3.00 crores and upto Rs.5.00 crores:

| Sl. No. | Sanction Committee Members | Members |
|---------|----------------------------|-------------------|
| 1 | Managing Director | Chairperson |
| 2 | Executive Directors | Member |
| 3 | Asst. Gen. Manager[Legal] | Member |
| 4 | Asst. Gen. Manager[BD&CR] | Member |
| 5 | Asst. Gen. Manager[RMD] | Member / Convener |

The proposals like revival of lapsed loans, cases of re-appraisal which need to be approved by the Managing Director would also be brought before the Committee. Pls. refer circular ref no.KSFC/HO/MD/006/2020-21 dtd.02.07.2020

II. Other Delegation of Sanctioning Powers:

10.1. Delegation of Loan Sanctioning Powers[General]:

[Delegation of loan sanction and disbursement powers as per circular no. 950 dtd. 31.3.2012]

| Sl. No | Sanctioning Authority | Sanctioning Powers (Maximum Amount) | | |
|--------|--|-------------------------------------|---|--|
| | | New Loan | Additional Loan | Corporate Loan |
| 1 | BMs of 'B' Grade Branch Offices | Rs.50.00 lakhs | Within overall limit of Rs.50.00 lakhs | Rs.10.00 lakhs within overall limit of Rs.50.00 lakhs |
| 2 | AGMs of 'A' Grade Branch Offices | Rs.75.00 lakhs | Within overall limit of Rs.75.00 lakhs | Rs.10.00 lakhs within overall limit of Rs.75.00 lakhs |
| 3 | DGMs of Super 'A' Grade Branch Offices | Rs.100.00 lakhs | Within overall limit of Rs.100.00 lakhs | Rs.25.00 lakhs within overall limit of Rs.100.00 lakhs |

| | | | | |
|---|---------------------|------------------------|--|--|
| 4 | General Managers | Rs.150.00 lakhs | Within overall limit of Rs.150.00 lakhs | Rs.50.00 lakhs within overall limit of Rs.150.00 lakhs |
| 5 | Executive Directors | Rs.300.00 lakhs | Within overall limit of Rs.300.00 lakhs | Rs.100.00 lakhs within overall limit of Rs.300.00 lakhs |
| 6 | Managing Director | Rs.500.00 lakhs | Within overall limit of Rs.500.00 lakhs | Rs.250.00 lakhs within overall limit of Rs.500.00 lakhs |
| 7 | Executive Committee | Rs.1000.00 lakhs | Within overall limit of Rs.1000.00 lakhs | Rs.500.00 lakhs within overall limit of Rs.1000.00 lakhs |
| 8 | Board | Above Rs.1000.00 lakhs | Above Rs.1000.00 lakhs | Rs.500.00 lakhs within overall limit of Rs.2000.00 lakhs |

10.2. Delegation of Loan Sanctioning Powers for Existing Good Customers :

| Sl. No | Sanctioning Authority | Sanctioning Powers (Maximum Amount) | |
|--------|--|-------------------------------------|------------------------------|
| | | Corporate Loan | Privileged Entrepreneur Loan |
| 1 | BMs of 'B' Grade Branch Offices | Rs.10.00 lakhs | Rs. 10.00 lakhs |
| 2 | AGMs of 'A' Grade Branch Offices | Rs. 20.00 lakhs | Rs. 20.00 lakhs |
| 3 | DGMs of Super 'A' Grade Branch Offices | Rs. 35.00 lakhs | Rs. 35.00 lakhs |
| 4 | General Managers | Rs. 50.00 lakhs | Rs. 50.00 lakhs |
| 5 | Executive Directors | Rs.100.00 lakhs | Rs.100.00 lakhs |
| 6 | Managing Director | Rs. 250.00 lakhs | Rs. 200.00 lakhs |
| 7 | Executive Committee | Rs. 500.00 lakhs | -- |

Note:

Eligibility Criteria of Existing Good Customers:

- ❖ The units should have availed loan of Rs.10 lakhs and more from KSFC in the past and should have a good track record for at least 3 years.
- ❖ The account should have been in standard category during the last 3 years.
- ❖ In respect of rescheduled cases and cases covered under DRS-RSR, the account should be regular and in standard category for the previous 3 years.
- ❖ The unit should be working on profitable lines i.e., the units should have earned net profits at least during the last 3 years as evidenced by the audited financial statements.
- ❖ Where the loan accounts are closed more than 3 years back, the proposals should be treated as a proposal from a new customer.

In respect of these categories of borrowers, the respective sanctioning authority can sanction Corporate / Privilege Entrepreneurs loan as detailed above without linking to the overall limit of term loans and WCTL. However, if the project for which latest loan sanctioned is under implementation, the sanctioning of Corporate / Privilege Entrepreneurs loan in such cases shall fall within the delegated powers of the earlier loan sanctioning authority. Further, the corporate loan and PE loans shall not exceed 150% of the aggregate loan amount disbursed of live accounts (excluding the proposed loan).

10.3. Delegation of Loan Sanctioning Powers for Working Capital Term Loan Under Single Window Scheme / Working Capital Term Loan:

| Sl. No. | Sanctioning Authority | Sanctioning Power |
|---------|--|--|
| 1 | BMs of 'B' Grade Branch Offices | Up to Rs.10.00 lakhs within overall limit of Rs.50.00 lakhs |
| 2 | AGMs of 'A' Grade Branch Offices | Up to Rs.20.00 lakhs within overall limit of Rs.75.00 lakhs |
| 3 | DGMs of Super 'A' Grade Branch Offices | Up to Rs.50.00 lakhs within overall limit of Rs.100.00 lakhs |
| 4 | General Managers | Up to Rs.75.00 lakhs within overall limit of Rs.150.00 lakhs |
| 5 | Executive Directors | Up to Rs.100.00 lakhs within overall limit of Rs.300.00 lakhs |
| 6 | Managing Director | Up to Rs.100.00 lakhs within overall limit of Rs.500.00 lakhs |
| 7 | Executive Committee | Up to Rs.100.00 lakhs within overall limit of Rs.1000.00 lakhs |

10.4. Delegation of Loan Sanctioning Power of LOC for Purchase of Raw Materials by MSMEs from KSSIDC :

| Sl. No. | Sanctioning Authority | Sanctioning Power |
|---------|--|-------------------|
| 1 | BMs of 'B' Grade Branch Offices | Rs.30.00 lakhs |
| 2 | AGMs of 'A' Grade Branch Offices | Rs.50.00 lakhs |
| 3 | DGMs of Super 'A' Grade Branch Offices | Rs.60.00 lakhs |
| 4 | General Managers | Rs.100.00 lakhs |

Note: The sanctioning powers indicated at Table 10.2 & 10.4 are exclusive powers and loans can be sanctioned in addition to overall limits indicated at Table-10.1. However, the additional and corporate loans in Table-10.1 and working capital loan indicated at Table-10.3 should be within the overall maximum limit indicated for the respective sanctioning authorities in Table-10.1.

10.5. Delegation of Loan Sanctioning Powers for Micro Finance Activity:

| Sl. No. | Sanctioning Authority | Sanctioning Power |
|---------|-----------------------|--|
| 1 | Managing Director | Upto Rs. 200.00 lakhs |
| 2 | Executive Committee | More Than Rs. 200.00 lakhs and Upto Rs. 500.00 lakhs |

All proposals under the Micro finance activity scheme which meets the eligibility criteria, shall be processed after obtaining “in principle clearance” from the Managing Director/CMD. The Corporate limit on micro financing exposure is fixed at Rs.20 crores. The exposure of the Corporation to a micro finance institution shall not exceed 15% of its (MFI) total debts.

The Board in its meeting held on 15.11.2016 approved the proposal for adopting following norms to extend assistance to Micro Finance Institutions:

| Sl. No | Criteria | Maximum Extent of Assistance |
|--------|---|--|
| 1 | MFIs approaching for the first time to KSFC | Maximum of Rs.500.00 lakhs subject to maximum 15% of total debt of MFI, which ever is lower |
| 2 | For repeat clients with atleast 3 years of satisfactory dealing with KSFC | Maximum of Rs.1500.00 lakhs [out standing limit at any time] subject to maximum of 15% of total loan outstanding [debt] of MFI, which ever is lower. |

All other guidelines and eligibility criteria laid down by the Corporation wise circular No.890 dtd. 21.7.2009 issued by ED[O] and ION dtd.8.2.2012 issued by ED[F] remain unaltered shall be followed for all the cases.

11. POLICY ON REPAYMENT PERIOD :-

Guidelines to be followed while fixing the repayment period:

| Type of project | Proposed | |
|--|--|-------------------|
| | Moratorium | Repayment |
| a] CRE PROJECTS: Residential Apartment / Group housing / Residential Villas/ Commercial Complexes/ Industrial Complexes, Residential Layouts / Commercial Layouts / Industrial Layouts / Office Space on build and sale model. | Upto 36 months depending on the projects | Maximum 60 months |
| b] Hotel projects, Nursing homes, Conventional halls. | Up to 2 years | Up to 8 years |
| c] IT related projects, I.T Enabled Services, Computer training centers, software development and related activities | Up to 12 months | Up to 4 years |
| d] IT related projects involving construction of building for the project . | Up to 15 months | Up to 4 years |
| e] Establishment of Software Parks involving mainly building and other infrastructures. | Up to 2 years | Up to 10 years |
| f] Transport Sector (all categories) | Up to 3 months | Up to 50 months |
| g] Modernisation Scheme | Up to 1 year | Up to 6 years |
| h] Corporate Loan Scheme | Up to 6 months | Up to 30 months |
| i] Privileged Entrepreneurs Scheme | Up to 6 months | Up to 24 months |
| k] Corporate loan for Construction Activity:- Infrastructure project with road, flyover, bridges. | Up to 6 months | Up to 30 months |

| Type of project | Proposed | |
|---|---|---------------|
| | Moratorium | Repayment |
| l] Interest subsidy scheme for SC & ST Entrepreneurs. | The repayment period is 8 years including moratorium in case of loan upto Rs.5.00 crore and upto 10 years in case of loan above Rs.5.00 crore but below Rs.10.00 crore. | |
| m] All other schemes | Up to 2 years | Up to 6 years |
| n] (i) Cinema Theatres / Multiplexes. | Up to 24 months | Up to 8 years |
| (ii) Feature films, TV serials, software for visual media publicity | Single repayment in the 13th month or before the release of the feature film, TV serials, software for visual media publicity whichever is earlier. | |

While the above gives a broad guideline for fixing the repayments, shorter/longer repayment and moratorium could be given based on the location of the unit, type of industry, type of technology, profitability, security available etc., provided there are strong reasons supporting such fixation. Such recommendations should be made very judiciously.

12. GUIDELINES ON VALUATION OF ASSETS:(ONLY FOR SANCTIONS)

A realistic valuation of assets assumes a great importance in taking credit decisions in the Corporation. The following broad guidelines may be adopted:-

12.1. Land:

- a) Branch office shall collect the list of minimum value fixed by the Sub-Registrar for registering the properties in the respective areas. This information will be available either in the jurisdictional Sub-Registrar office or with the District Registrar.
- b) While computing the value of land, the minimum registration value should be taken as the base value. In addition, the officers

shall make efforts to find out the recent registrations that have taken place within one year time in and around the property being valued from the office of the Sub-Registrar.

- c) Efforts should also be made to know the fair market value of the property in the locality through local enquiries keeping saleability in view.
- d) Value of the land shall be finally determined based on these three values with proper justifications. It may please be noted that if the fair market value is less than the value fixed by the Sub-Registrar office, then the minimum value fixed by the Sub-registrar should be taken for the purpose of valuation.

All the above information shall be given under the column provided in valuation report for this purpose.

- e) The Branch should, in addition to the extract of the SR guidance value list, also furnish the extract of the general guidelines issued by the office of the respective Sub Registrar for determining guidance value as an enclosure to the valuation report.
- f) The following details should be furnished in the valuation report:
 - ❖ Address of the property as per legal documents and owners name;
 - ❖ Layout plan: -A copy of the layout plan approved by the concerned authority is enclosed. If it is not available, the inspecting officer shall prepare a layout sketch and attest the same.
 - ❖ Schedule of property shall be given;
 - ❖ Extent of the land i.e., site (L X B) and total area;
 - ❖ Surface condition of the land;
 - ❖ Basis on which the valuation has been made. If the land is situated in the area of KIADB/ KSSIDC developed area then the present allotment price of KIADB / KSSIDC should be indicated.
 - ❖ Approach road to the land from the public road should be indicated;
 - ❖ Any beneficial advantages of the land which will enhance its market value should be indicated. Similarly if there are negative aspects which would reduce the value also must be mentioned.

12.2. Building:

- a) The value of the building should be estimated on the basis of the current cost of construction of various structures.
- b) From the current cost of construction, depreciation at a rate considered to be appropriate should be deducted to arrive at market value.
- c) As it is not possible to lay down a standard rate of depreciation, the officer valuing the building should indicate the reasons why a particular rate of depreciation has been adopted. There may be necessity to adopt different rates of depreciation for different structures. A depreciation of 2% to 5% is considered acceptable in a well maintained building.
- d) The valuation report should contain the following details:
 - ❖ The details of different structures, their measurement in terms of L x B and the type of construction of each of the structures, present status etc.;
 - ❖ The valuation of individual items of building and the rate taken per Sq. Mtrs. and the type of construction of each of the structures;
 - ❖ The rate of depreciation in respect of each item of structure and the justification for the rate of depreciation adopted;
 - ❖ The present condition of the building, the nature of structures and the material used in the construction, age, salability, balance life etc.
 - ❖ The opinion of the officer valuing, on the salability of the building, if put up for sale.
 - ❖ Type of building whether industrial / commercial / residential / others.
 - ❖ Items which are not considered for valuation if found unsuitable, with specific reasons.

12.3. Plant and Machinery:

- a) The plant and machinery should be valued based on current price.

- b) From the current price of the machinery, depreciation at an appropriate rate has to be deducted for the number of years the machinery was in usage.
- c) While deciding the rate of depreciation, factors such as maintenance of the plant and machinery, its present condition, number of years it was used etc., should be taken into consideration and the officer valuing the plant and machinery should give the justification for the rate of depreciation he has adopted. A depreciation of 5% to 15% is generally found acceptable under normal circumstances.
- d) To the extent possible the current price of machinery should be arrived at based on the quotation(s) from supplier (s) for the same or similar machinery if it is not possible to obtain quotation(s) within a reasonable time period, then the current price shall be arrived at based on enquiries at supplier(s) or sales agents supplying the same or similar machinery and the name(s) of the suppliers/sales agents so enquired at, shall be mentioned in the valuation report.
- e) Details of valuation of individual machinery should be given separately and the rate of depreciation may also vary from item to item. However, in respect of small miscellaneous items, a lump sum value may be given.
- f) The list of machinery inspected in the unit, in detail specifically indicating the attachments to the machines, electrical etc., make of machine, sl. no. of the machine, model etc., if these details are available on the machine, the same shall be mentioned against each item / equipment.
- g) General condition of the machinery: – erected / dismantled etc.
- h) General comments on the maintenance of the machine, technology obsolescence, saleability etc., which forms basis for valuation should be specifically mentioned apart from the value arrived at after applying depreciation.
- i) There shall be no change in valuation of buildings and machinery. However there is cap on machinery to be treated as collateral only to the extent of 50% subject to the following:

- ❖ Machinery should be of reputed make with residual life of not less than 10 years.
 - ❖ Inspection of the machinery is made by the Branch Manager with a Technical Officer.
 - ❖ This relaxation can be shown with the approval of GM (Concerned Circles).
- j) 50% of the collateral requirement should be in the form of landed property / F.D., NSC, surrender value of LIC. The remaining 50% can be of the value of 50% of the present market value of branded machinery with residual life of 10 years. Care should be taken to obtain the original invoice of the machinery and also No-lien from the concerned Banker of the unit and proof of having paid entire money as per invoice and also repayment of loan if loan taken on this.
- k) Whereas the Food Processing Industry the age of the machine shall not to be older than 5 years.
- l) In other type of Processing Industry like Paint and Chemical, it should not be older than 3 years.
- m) For computer related industries the existing plant and machinery which are in the form of computer shall not be considered for the purpose of consideration of collateral security because of its quick obsolesce.
- n) While considering the existing machinery as collateral security care should be taken to ensure that there is no contingent statutory liability like EPCG, Canvas, customs etc. It was also suggested that in order to qualify for taking equipment as collateral security, the original value of the machines with accessories should not be less than Rs.5.00 lakhs. In case where duty concession is availed, the collateral requirement would be 100% of the duty concession which is not covered by bank guarantee. This is in addition to normal collateral security indicated in respect of products codes.
- o) Existing vehicles and such of those equipments, which are mobile in nature shall not be considered for collateral security requirements.
- p) A Chartered Engineer certificate to be obtained regarding the conditions and residual life.

q) Acceptance of Certified Copies of Vendor's Title deeds:

Cases where the primary title documents [present owner's title deed] are not available, such properties shall not be accepted as security.

In respect of cases where the title deed relating to the vendors / predecessors-in-title are not available, the documents may be accepted based on certified copies of the title deeds. In respect of these cases please follow the procedures of circular no.989 dtd 12.12.2014 issued by CMD.

13. GENERAL GUIDELINES ON COLLATERAL SECURITY:-

13.1. Guidelines on Valuation of Collateral Security:

As far as possible, the collateral security shall be urban properties located within the State of Karnataka. Wherever the rural properties (non-agricultural) are to be taken, due diligence should be done by the concerned Branch Managers who shall be held accountable. The SR value shall be the guiding factor for finalising the value. It should be ensured that the property is abutting the public road. The valuation report should clearly highlight the suitability of the location for project and acceptability from the angle of marketability and proper approach from public road.

The following guidelines shall be kept in mind while valuing the properties:

- a) In respect of units where building and plant & machinery are financed and the land is not financed, the value of land can be taken towards the collateral security requirement and however this should be taken as primary security in the appraisal report as well as in documentation.
- b) Further, with regard to the industries located at rural areas, where land is not financed the same can be taken towards collateral security requirement based on the weight-age of SR and market value as per prevailing guidelines.
- c) However, as mentioned in the lending policy, wherever rural properties (non-agricultural) are to be taken, due diligence should be done by the concerned Branch Managers shall be held accountable.

13.2. Following are details about valuation of assets:

In respect of all properties viz: industrial, commercial and residential etc., the value of the land based on the SR value & fair market value shall be indicated in the valuation report. For final valuation of land in respect of BDA, Bangalore Urban, Bangalore Central, BBMP, BMRD, BIAPA, Corporation / Municipal areas and town limit areas of all cities / towns, an average of 50:50 on SR and market value respectively shall be adopted. It may be noted here that Market value up to maximum of 2 times of guidance value for urban area limits may be considered. In case, there is large gap in Guidance value and Market value over & above 2 times, specific prior approval has to be obtained from respective General Managers before sanction with proper Justification for considering higher market values than as indicated above. The GMs inspect such proposals and accord their approval only after satisfying themselves that the market value proposed by the BO is correct and reasonable. The cornered officers will be held responsible for discrepancy in valuation.

For semi urban and in all other rural areas, the SR value shall be the guideline factor in finalising the value.

All areas coming under BBMP, BMRDA, BIAPA, all city corporations, all district headquarters, all town municipal corporations and all areas coming under taluka head quarters are treated as urban areas. Further areas falling within 25 Kms from outer limits of BBMP, 10 Kms from the outer limits of the other city corporations and 5 Kms from the outer limits of City/ Town Municipal Councils shall be treated as semi urban areas. All other areas are treated as rural areas.

- a. If absolute sale deed is executed by KSSIDC/KIADB in favour of the allottee, in such cases weighted average of 50:50 on market value and the present allotment rate (KSSIDC land)/ lease premium (KIADB land) shall be adopted. If the present allotment rate for an industrial estate / area is not available, then the present allotment rate (KSSIDC land) / lease premium (KIADB land) prevailing in the surrounding area shall be taken.
- b. In case of developed converted land, SR value is arrived at as per the guidance value. In case of undeveloped converted lands the following method shall be adopted to arrive at the SR value:

i) If the property is located within the urban and semi-urban limits:

| Sl. No | Extent of Land | Guidance Value |
|---------------|------------------------------|--|
| 1 | Upto 5 Guntas | Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 2 | Above 5 and upto 7.5 Guntas | 70% of Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 3 | Above 7.5 and upto 10 Guntas | 60% of Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 4 | Above 10 and upto 20 Guntas | 40% of Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 5 | Above 20 and upto 40 Guntas | 35% of Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 6 | Above 1 acre | 30% of Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |

Guidance Value of site = Value of site for which purpose it is converted i.e., Residential, Industrial*, Commercial** / Non residential.

* In case of industrial land, if Guidance Value of site is mentioned for Industrial purpose in Industrial areas the same should be considered for the above and for all other areas Residential site value is to be considered .

** In case of commercial property guidance value shall be taken. In case guidance value is not available, 40% more than residential property rates [guidance value] shall be taken.

ii) If the property is located in rural area:

| Sl. No | Extent of land | Guidance Value |
|---------------|---------------------------------|---|
| 1 | Upto 5 Guntas | Guidance value of site or Agriculture land value (acre basis value), whichever is higher. |
| 2 | Above 5 and upto 10 Guntas | Additional 60% of Agriculture land value on acre basis. |
| 3 | Above 10 Guntas | |
| | a) Industrial | Additional 55% of Agriculture land value on acre basis. |
| | b) Residential | Additional 65% of Agriculture land value on acre basis. |
| | c) Commercial / Non Residential | Additional 80% of Agriculture land value on acre basis. |

However, if the property is adjoining the National Highway/State Highway, additional 50% / 25% respectively on the land value shall be taken.

- iii) It should be ensured that the property is abutting the public road.
- iv) Additional 10% on guidance value is to be considered for corner site or for sites having roads on two sides.
- v) Further, the valuation report should clearly highlight the suitability of the location for project and acceptability from the angle of saleability and proper approach from public road.
- vi) Further, the technical officer shall ensure that the schedule of the property along with approach road tallies with that of legal documents as cleared by the legal officer.
- vii) The Corporation can revalue the assets if there is change in sub registrar rate / market rate at the time of considering loan application for any additional facilities. If it is to be re-valued within one year approval of concerned General Managers shall be taken by furnishing proper justifications.
- viii) In case of KIADB land, the same can also be considered for financial assistance if it is purchased within a period of 2 years.

14. DELEGATIONS OF POWERS FOR RELAXATION IN COLLATERAL SECURITY:

The relaxation in collateral security norms should be generally avoided. However, in respect of cases where the credit risk analysis as per circular No.KSFC/MD/168/2006-07 dated 19.12.2006 carries the score of 80% or above, the required collateral security may be relaxed as below:

| % | Particulars |
|--------------|---|
| 1 Upto 10% : | Branch Managers / AGMs of 'A' Grade Branch Office in respect of cases sanctioned by them. |
| 2 Upto 20% : | DGMs of Super 'A' Grade Branch offices – in respect of cases sanctioned by them. |
| 3 Upto 30% : | GM [Circles]– in respect of cases sanctioned by them and cases sanctioned by BMs /AGMs/ DGMs of Super 'A' Grade Branch Offices coming under respective jurisdiction |

[For example, if the collateral security requirement is 30% as per lending policy for a loan of Rs.10 lakhs i.e., Rs.3 lakhs, the BM can relax the collateral security upto Rs.0.30 lakh]

However, the above authorities shall do due diligence before approving the relaxation in collateral security requirement norms and they shall be held accountable for the decision. All other proposals for relaxing collateral security requirements shall be submitted to Managing Director/ CMD for a decision.

15. OTHER GENERAL GUIDELINES:-

1. Where the unit is located in a leased premises;

15.1. For Loan up to Rs.25.00 lakhs :

- a) If the loan is proposed to be utilized for acquisition of plant & machinery which can be removed and sold, 11 months unregistered lease deed will suffice. Collateral security may be insisted upon as per Product Code.**
- b) If the machinery cannot be removed and sold, in such cases 11 months unregistered lease may be accepted subject to the condition that 100% collateral security shall be offered for the loan.**

- c) Interiors and small civil works which form part of interiors, in such cases 11 months registered lease may be accepted subject to the condition that 100% collateral security shall be offered for the loan.

15.2. Where the Loan amount is above Rs.25.00 lakhs and Lease Hold Rights Assigned to KSFC :

- a) If the loan is proposed to be utilised for construction of building/interior/civil works, the registered lease deed for land/premises shall be obtained for double the repayment period or 12 years whichever is higher. In such cases, the loan shall be secured by 100% collateral;
- b) In case where financing only machinery 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. Collateral security shall be obtained as per the Product Code;
- c) If the nature of machinery is such that it cannot be removed and sold, 100% collateral security shall be insisted upon.

15.3. Financing of Building / Interior / Civil Works and Plant & Machinery where the Lease Hold and Freehold Rights are Assigned to KSFC:

1. Financing of building/interior/civil works and plant & machinery on lease land, where leasehold rights and freehold rights are secured, collateral security as per Product Code shall be obtained. In these cases the lease period shall be minimum the double the repayment period or 12 years whichever is higher.

This Policy is not applicable in respect of KIADB land allotted on lease-cum-sale basis/99 years lease basis. KSSIDC land / shed allotted on lease-cum-sale basis.

Guidelines Regarding KIADB Land Allotments:

The matter has been deliberated in the Board and the following observations have been made:

- A] As per the Industrial Policy 2014-19, the land and shed will be allotted to the SC/ST entrepreneurs at 50% of the allotment rates in all the zones. The payment of cost of

land will be made in installments. It is to be noted that in respect of SC/ST entrepreneurs, after upfront payment of 50% of the land cost, remaining 50% amount will have to be paid in 8 quarterly installments.

- B] Banks and Financial Institutions do not finance land as part of the project as it may lead to speculations and allottees may find it difficult to service the loan.
- C] Even though the land cost is considered for financing, it would not be advisable to treat it as a standalone component and release loan relaxing the FIC based on interim documentation. With no cash flow from the project, the allottees especially the first generation entrepreneurs will have difficulty in servicing of the loan. Any delay either in execution of lease-cum-sale deed by KIADB or delay in bringing in promoters margin will have bearing on the project, as the repayment schedule, completion date etc., depend on the first date of release of loan and in case of default in payment of dues, the account will be become NPA for KSFC.

Considering this fact, the Board has taken a decision that the promoter has to bring in his contribution/comply with the FIC, take effective steps and approach KSFC for first release of loan in the best interest of the project. The Board has also on further deliberations, decided that the delegation of powers for relaxation of FIC and release of loan amount in advance to KIADB in respect of the existing good units as stated under Circular No.899 dated 30-03-2010 should be discontinued. [Please refer CIRCULAR NO.1006 dated 28.12.2018].

2. Intangible assets like technical know-how, design, drawings, software and franchisee fees are not normally considered for finance. If such items are considered under special circumstances, the loan amount earmarked towards these items should be supported by 100% collateral security irrespective of product codes and schemes.

3. The MD / CMD is empowered to consider relaxation in collateral security requirements up to 25% of the requirements as per lending policy, based on the merits of the case. Proposal seeking relaxation higher than 25% of the collateral security norms shall be placed before the EC. The EC is empowered to approve such requests on merits.(refer Circular No.778 dtd.1.2.2007 issued by MD)

4. Both new loan proposals and proposals for expansion and modernisation of the activities under prohibited sector, can be considered with the prior approval of the MD/CMD.

5(a). If the loanee / partner / director had settled their account under OTS (including cases settled under GOK OTS Scheme) on less than SI or involving write off, then these persons, their spouses and /or their associate concerns are not entitled to avail further assistance from the Corporation.

5(b). Financial assistance for the units whose account were settled under OTS on simple interest basis and above can be considered on the merits of each proposal with specific approval of next higher sanctioning authority. Further, where the promoters have closed the account under GoK OTS scheme, in order to be eligible for further financial assistance, they should pay the amount claimed from Government of Karnataka [GoK] for the settlement of their account with KSFC.

5(c). No fresh loan shall be considered in respect of those promoters, their spouses / their associate concerns for a minimum period of three years from the date of closure of their account on OTS basis.

6. Units / associate units of promoters whose names appear in the RBI WILFUL / CIBIL defaulter's list will not be encouraged for assistance. Further, as per CIBIL report if any over dues / default is reflected, then the delinquency of the accounts will have to be verified and necessary NOC / Account closure letters shall be obtained from the banks / financial institutions. In such cases, Prior approval from competent authority[General Managers] has to be obtained to consider to under par CIBIL Score. However, cases sanctioned by EC shall continue to be decided upon by the EC. Wilful defaulters are those entrepreneurs / promoters of companies where the bank has identified siphoning / diversion of funds, mis-representation, falsification of accounts and fraudulent transactions.”

7. The minimum promoter's contribution and the DER norms shall be as per the norms and guide lines issued by SIDBI from time to time.

8. A relaxation of 25% in the requirement of minimum collateral security up to a loan amount of Rs.100.00 lakhs, be considered in the case of entrepreneurs belonging to SC/ST. However, for loans more than Rs.100.00 lakhs, the collateral security requirement shall be as applicable to general category.

9. The cost of land and existing building of the unit can be accounted for collateral requirements, if these are not considered for financing. However, this property shall be treated as primary security and be secured in that manner. It may be narrated in the memorandum that the value of the existing land building is considered towards collateral security requirements.

10. Mortgage through registration may be limited to only one loan/ first loan. In case of further mortgage of the same property for additional loans, equitable mortgage may be sufficient. If additional loans are proposed to be secured by new properties, the mortgage would be by way of registered mortgage. However, the registration with CERSAI is compulsory for all equitable mortgage cases.

11(a). Technical officer while inspecting the primary / collateral security at the time of appraisal should verify the boundaries physically and compare the same with the boundaries mentioned in the title deeds. It shall be ensured that the physical boundaries perfectly match with the boundaries mentioned in the title deeds.

11(b). Technical officers during their inspection shall further ensure that the primary / collateral security properties have proper and distinct public approach roads. They should also ensure that the approach roads are clearly indicated in the title deeds and in the Maps (sketch) of the properties and that there is perfect match with the approach road mentioned in the inspection report. The technical officer should specifically certify in the inspection report that the properties have the proper approach roads.

11(c). The Legal Officer at the time of documentation shall once again verify the boundaries of the title deeds with that of the boundaries mentioned in the inspection report of the technical officer and ensure that they perfectly match with each other. The legal officer shall also ensure that the property has public approach road as per the title deeds and map (sketch).

11(d). After sanction of loan and before first release, the Technical Officer shall ensure during inspection that the building financed by the Corporation is located within the boundaries of the land (primary security) mortgaged to the Corporation. He shall also certify to this effect in the note sheet while putting up the file for first release.

11(e). The original title deeds such as sale deed, khata, EC etc., of the primary / collateral security shall be verified by the Sr. Manager / Manager (Legal) with the concerned Government Department to ensure that the documents are genuine.

12. RBI had issued guidelines to commercial banks & all non-banking financial companies to follow certain customer's identification procedure for opening of account and monitoring transaction of a suspicious nature for the purpose of reporting to appropriate authority. This 'Know Your Customer (KYC)' guideline have been revisited in the context of the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards on Combating Financing of Terrorism (CFT). Based on these guidelines, SIDBI has compiled the policy guidelines for KYC norms and AML standards for information and necessary compliance by SFCs. SIDBI also felt that SFCs should also comply with the RBI guidelines in this regard. Based on these guidelines issued by the SIDBI, a note was placed before the Board in the meeting held on 18.09.2007 for implementation of KYC norms and AML standards in the Corporation. The Board accorded its approval for implementation of KYC norms and AML standards in KSFC. Therefore, it is advised to all the BOs to comply all KYC norms, AML standard and CFT standards during processes of loan application for loan sanctions as per the circular no 797 dtd.28.09.2007 issued by Managing Director and Circular No. KSFC/HO/MD/24/2008-09 dtd.21.06.2008 issued by the Managing Director. This is mandatory to collect and mention all required information mentioned in the said circulars in the appraisal memorandum before placing the proposal for loan sanction before concerned sanctioning authority.

13(a). In respect of fixed assets in the form of residential house offered as collateral security, the same should be owned by the borrower or borrower's parents or children, brothers or sisters, brothers-in-law or sisters-in-law, spouse's parents, spouse's brothers, spouse's sisters. Further the fixed assets other than residential house/buildings owned by friends and relatives can be taken.

13(b). In case of FD receipts, LIC's policy, NSCs it could belong to the borrower's friends or relatives.

13(c). The multiple charges should not be created on assets taken as collateral security for several loans by different borrowers without common relationship. In other situations such as creation of charge

for loan/s sanctioned to an associate concern on the assets belong to another concern of the same group is allowed.

13(d).The following can be taken towards collateral security requirements:

- i) FD with KSFC/Scheduled Banks. However, FD with Co-operative Banks, Non Scheduled Banks & NBFCs should not be accepted under any circumstances.
- ii) LIC policy [Surrender value].
- iii) NSCs, Infrastructure Bonds.
- iv) Non-agriculture land, building, industrial estate [Absolute sale deed].
- v) KIADB/KSSIDC allotted plots where NOC is issued for mortgaging the same towards the loan being sanctioned by KSFC.

14. The Credit rating by External Agency is compulsory for all new proposals of Rs.150.00 lakhs and above, other than CRE cases. Credit Rating from external agency is not required for CRE projects.

15(a). In respect of SSI units, the proposals with NSIC ratings of SE 1A, SE 1B, SE 2A, SE 2B, SE 3A, and SE 3B are bankable proposals and the rest are non-bankable.

15(b). In respect of units rated on SME scale, where the proposals are rated on a scale of eight grades, the proposals falling in the top four grades are bankable proposals and the rest are non-bankable. For example, the SME ratings of SME 1, SME 2, SME 3 and SME 4 of CRISIL are bankable proposal and SME 5, SME 6, SME 7 and SME 8 rating are non-bankable proposals. The above holds good for equivalent ratings by other agencies.

15(c). Proposals rated on bank loan rating scale (BLR Scale): When the proposals are rated on BLR scale, the bench mark for acceptance of a proposal is 'BBB'. It is clarified that 'BBB' is a composite rate which also includes 'BBB'-. The proposals with 'BBB' – grade are also acceptable.

16. DETAILS OF ADDITIONAL REBATES

An additional rebate of 1% is available on assistance to physically challenged entrepreneurs and to green technology products and services.

16.1. Physically Challenged Entrepreneurs :

The Physically Challenged Entrepreneurs suffering from hard of hearing, impaired vision and having Orthopedic disability should compulsorily obtain and produce a BSER (Brain Stem Evoked Response) Audiometry report from NIMHANS/Manipal Hospital/ Government Speech and Hearing Institutes. Physical disability ranging above 40% on Orthopedics disability should produce a Medical certificate issued by competent Doctor of any Government Hospital located in the State of Karnataka.

- ❖ An additional rebate of 1% in prevailing rate of interest shall be extended to physically challenged entrepreneurs subject to producing physical disability certificate from the competent authority.

16.2. Financial Assistance to Green Technology Products and Services

Green technology is the future of this society. It's main goal is to find ways to produce technology in ways that do not damage or deplete the Earth's natural resources. In addition to not depleting natural resources, green technology is meant as an alternative source of technology that reduces fissile fuels and demonstrates less damage to human, animal, and plant health, as well as damage to the world, in general. Next, green technology is so that products can be re- used and recycled.

The use of green technology (clean technology) is supposed to reduce the amount of waste and pollution that is created during production and consumption. Global warming has been evident in today's scenario. The increasing amount of carbon emissions being deposited in the atmosphere from burning of fossil fuels has led to the greenhouse effect that is warming up the planet and causing drastic changes in the weather. Worldwide endeavors in finding alternative energy sources and employing green technology are underway for decades and have proven to be more efficient with the advancement of technology and modern innovations. The advent of green technology has paved way for more responsible eco-friendly designs in architecture, household items and gadgetry. More and more companies have dedicated their efforts in manufacturing and designing their products so that they contribute to the worldwide effort to encourage sustainability and conserving our planet.

Following are Types of Green Technology:

i. Green Building : (also known as green construction or sustainable building) refers to a structure and using process that is environmentally responsible and resource-efficient throughout a building's life-cycle: from sitting to design, construction, operation, maintenance, renovation, and demolition. This practice expands and complements the classical building design concerns of economy, utility, durability, and comfort.

Although new technologies are constantly being developed to complement current practices in creating greener structures, the common objective is that green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment.

While the practices, or technologies, employed in green building are constantly evolving and may differ from region to region, there are fundamental principles that persist from which the method is derived: Site and Structure Design Efficiency, Energy Efficiency, Water Efficiency, Materials Efficiency, Indoor Environmental Quality Enhancement, Operations and Maintenance Optimization, and Waste and Toxics Reduction. The essence of green building is an optimization of one or more of these principles. Also, with the proper synergistic design, individual green building technologies may work together to produce a greater cumulative effect.

ii. Green Energy : is the provision of energy that meets the needs of the present without compromising the ability of future generations to meet their needs. Sustainable energy sources are most often regarded as including all renewable energy sources, such as hydroelectricity, solar energy, wind energy, wave power, geothermal energy, bio-energy and tidal power. It usually also includes technologies that improve energy efficiency.

iii. Green Chemistry: also called sustainable chemistry, is a philosophy of chemical research and engineering that encourages the design of products and processes that minimize the use and generation of hazardous substances. Whereas environmental chemistry is the chemistry of the natural environment, and of pollutant chemicals in nature, green chemistry seeks to reduce and prevent pollution at its source.

As a chemical philosophy, green chemistry applies to organic chemistry, inorganic chemistry, biochemistry, analytical chemistry, and even physical chemistry. While green chemistry seems to focus on industrial applications, it does apply to any chemistry choice. Click chemistry is often cited as a style of chemical synthesis that is consistent with the goals of green chemistry. The focus is on minimizing the hazard and maximizing the efficiency of any chemical choice. It is distinct from environmental chemistry which focuses on chemical phenomena in the environment.

iv. Green Purchasing: it generally refers to buying products and services with reduced effects on human health and the environment. Also called “Affirmative Procurement,” “Environmentally Preferable purchasing,” and “Green Purchasing,” this approach means integrating environmental factors into procurement policies, usually using the following tools and/or methods:

- ❖ **Pollution Prevention:** From the start of a process or procedure, reducing or eliminating toxicity, air and water emissions.
- ❖ **Life-Cycle Perspective:** Looking beyond purchase price. Consider costs and environmental impacts over the lifetime of a product or service (manufacturing, packaging, transport, energy consumption, maintenance, and disposal).
- ❖ **Natural Resource Protection:** Giving preference to sustainable, reusable content, and recycled materials over virgin materials, as well as to conserving water and energy.

To extend financial assistance to green technology products and services by extending special rebate of 1% p.a., provided 51% of the project should be adopted green technology viz., green building, equipment, energy and other purchasing required for the project.

Further, it is desired that the maximum rebate / concession in interest shall not exceed 3% p.a. in respect of (16.a) and (16.b) above.

17. DETAILS OF ADDITIONAL SPECIAL REBATES:-

17.1. Financial Assistance to Self Employed Professionals: [Medical & Dental Professionals, All Engineers, Chartered Accountants & Architects] for purchase of private vehicle with a maximum ceiling limit of Rs.15.00 lakhs under the existing scheme provided with they should be self employed professionals & should

have been registered with concerned competent authority and they should be Income Tax Assessee for past three years. To extend financial assistance to self-employed professionals for purchase of private vehicles with a maximum ceiling limit of Rs.25.00 lakhs subject to collateral security of 30%. Interest subsidy scheme for SC/ST entrepreneurs is not applicable under this scheme.

17.2. Financial Assistance to Purchase Vehicles to Existing Units/Promoters : Existing customers who are managing the unit for minimum three years and availed loan of Rs.25.00 lakhs and above shall be eligible for purchase of private vehicle with a maximum financial assistance of Rs.15.00 lakhs under the existing scheme provided the loan account is under standard category for last three years. To extend financial assistance for purchase of private vehicles to the existing units / promoters with a maximum ceiling limit of Rs. 15.00 lakhs at a concessional interest rate of 12% p.a. (net of rebate) subject to collateral security of 30%. In case of SC/ST entrepreneurs, Interest subsidy scheme for SC/ST entrepreneurs is not applicable under this scheme.

18. INTEGRATED AGRI-BUSINESS DEVELOPMENT POLICY OF GOVT. OF KARNATAKA:

In this policy various Agro Industrial units are contemplated in the State of Karnataka to harness the varied agro climatic condition, raw-material, resources, skill sets of the region and domestic & export market opportunities. The Corporation can consider financing these industrial activities highlighted in the policy as per the norms of the lending policy. For financing those activities which are not included in the lending policy, separate approval from the concerned General Manager can be obtained.

19. DELEGATION OF DISBURSEMENT POWERS:-

19.1. Loan Disbursement :

[as per ION:KSFC/HO/MD/08/2019-20 dtd.04.11.2019]

a. Branch Managers:

The Branch Managers are empowered to disburse loans in respect of sanctions done by various authorities up to Rs.100.00 lakhs at a time after ensuring the compliance of terms and conditions of loan sanction. However, the BMs are empowered to relax minor conditions like non receipt of copy of IT

returns, renewed license, WC arrangements and appointment of skilled persons. This does not apply to conditions specifically laid down by higher / sanctioning authorities.

b. General Managers:

Any releases of Rs.100.00 lakhs and above shall be placed before the respective General Managers for clearance before release.

Further, they may use their discretion to defer compliance of minor conditions like non-receipt of copy of IT returns, renewed license, working capital arrangements and appointment of skilled persons till release of 65% of sanctioned loan amount except those conditions which have been specifically imposed by the higher/ sanctioning authorities.

In the event of non availability of the above Officers next higher authority is authorized to cause disbursement as above.

19.2. Relaxation of First Investment Clause[FIC] :

| Sl. No. | Particulars |
|----------------|---|
| a | Branch Managers - NIL |
| b | General Managers can relax FIC up to 30% |
| c | Executive Directors can relax FIC up to 40% |
| d | Managing Director can relax FIC up to 50% |
| e | Relaxation in FIC in excess of 50% be placed before the Executive Committee |

Pls. refer - ION No.KSFC/HO/MD/2-19-20 dtd.04.11.2019 issued by MD

Note:

a) However, in respect of existing MSMEs working on profitable lines for a minimum period of last three years and if the loan is sanctioned towards acquisition of land / shed from KIADB / KSSIDC, the FIC may be relaxed subject to a maximum of 75% by the concerned Branch Managers.

b) Relaxation of FIC and release of loan amount towards the land cost of KIADB / KSSIDC is not permissible in respect of all new proposals promoted by First Generation / Startup Entrepreneurs seeking finance for the land / shed allotted by KIADB / KSSIDC.

c) In respect of existing MSMEs working on profitable lines, FIC may be relaxed by the Branch Managers while releasing the loan amount towards acquisition of plant and machinery by ensuring proportionate contribution brought in by the promoters. However, in such cases the BM shall ensure that the delay / non-acquisition of remaining machinery would not affect the viability of the project for the amount disbursed. **Further pro-rota FIC towards land, building and plant & machinery may be considered for existing entrepreneurs towards additional loans for escalations / expansion purposes.**

19.3. Adhoc Release :

| Sl. No. | Particulars |
|---------|--|
| a | Branch Managers - NIL |
| b | General Managers are empowered to relax security margin (PS) up to 15%. However this shall be made good before considering the next release. |
| c | Executive Directors are empowered to relax security margin up to 25%. However this shall be made good before considering next release. |
| d | Managing Director is empowered to relax security margin up to 50%. However this shall be made good before considering next release. |

Pls. refer - ION No.KSFC/HO/MD/2-19-20 dtd.04.11.2019

Release of money to the machinery supplier in advance shall be avoided and only in genuine cases it may be considered with the approval of the concern General Managers. Further, the payments shall be made to the machinery supplier against the bills issued under E-way bill system/ GST bills.

19.4. Change of Machinery :

a) Change in Machinery Supplier

Branch Managers are authorized to approve change of machinery supplier in respect of all cases. However, they should ensure that the machinery supplier should be of reputed / well established track record. The approving authority should ensure that the overall nature of the project and purpose loan is not altered materially.

b) Change in Machinery:-

Branch Managers are authorized to approve the changes in machinery in respect of cases where the loan is extended to the existing units which are working on profitable lines. However, in respect of new units, the Branch Managers can approve the change in machinery up to 25% of total estimated cost of plant and machinery. If the change in machinery is beyond 25% of total estimated cost of plant and machinery, the General Managers are empowered to approve the same.

However, the Branch Managers/General Managers shall ensure that the promoters shall meet the additional cost if any out of their own funds due to the above changes and not approach the Corporation for additional funding and also ensure that the quality, cost, service network etc., are comparable or of better standards.

19.5. Change in Management / Constitution / Promoters / Share-Holding Patterns etc., During Implementation:

For all limited companies and partnership firms changes in share holding pattern with original promoters retaining share holding up to 51%, the approving authority will be Branch Managers subject to the condition that there is no dilution of security, networth and release of personal guarantees consequent to change.

Beyond 51% change in the share holding pattern of the promoters / change in management, constitution, promoters and share holding pattern etc., during implementation, the Managing Director/CMD shall be the approving authority in respect of cases sanctioned by Executive Committee / Board. In respect of all other cases, the respective sanctioning authority shall be the approving authority. 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 / 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.

19.6. Changes in Collateral Securities and Personal Guarantees:

Substitution of Collateral Securities and Personal Guarantees in respect of Board / Executive Committee sanctioned cases, the approving authority is the Managing Director.

In respect of cases sanctioned by Managing Director / Executive Directors / Sanction Committee, Executive Directors are authorized to approve substitutions of Collateral Security and Personal Guarantee.

In respect of cases sanctioned by General Managers / Sanction Committee and cases sanctioned by erstwhile Zonal Managers, the General Managers are authorized to approve substitutions of Collateral Security and Personal Guarantee.

In respect of cases sanctioned by Branch Managers / Sanctioning Committee headed by Branch Managers, the Branch Managers are authorized to approve.

However, while considering the substitution of Collateral Security and Personal Guarantees, the approving authorities shall exercise due diligences 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 Personal Guarantees proposed to be replaced shall possess equal or better networth compared to the earlier Personal Guarantee.

19.7. Revalidation of Loans

| Sl. No. | Loans | First release | Last release |
|---------|------------------------------------|---|---------------------------------|
| 1 | Term loans / additional term loans | Within 6 months of loan sanctions | Within 2 years of loan sanction |
| 2 | a. WCTL-SWS | Within 6 months from the date of project implementation | Within 2 years of loan sanction |
| | b. Only WCTL | Within 3 months | Within 6 months |
| 3 | Corporate loan / PE 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 utilizes the un-disbursed amount and completes the project without seeking additional loan. This revalidation can be done by the Branch Managers subject to reconfirming the viability of the project. 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.

Revalidation of un-disbursed term loan / additional term loan can be done only up to a maximum period of 3 years from the date of loan sanction.

19.8. Re-Allocation of Funds :-

The re-allocation 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 authorized to approve the changes in reallocation of savings in respect of all the cases.

However, the reallocation of funds from building to machinery shall be approved by the respective sanctioning authority and Managing Director in respect of loans sanctioned by Executive Committee / Board, if the security insisted for the loan is less than 100% or under relaxed terms.

19.9. Cancellation / Limitation of Loan :

Cancellation:

The Branch Managers are authorized to cancel the loans sanctioned by them if the first disbursement is not effected within six months from the date of loan sanction.

In respect of other cases, the General Managers are authorized to cancel the loan if the first disbursement is not effected within six months from the date of loan sanction.

Limitation:

The Branch Managers are authorized to limit the loan to the extent drawn, cancel the balance un-disbursed amount and to refix the

installments in respect of the amount drawn, if the amount to be cancelled is less than 20% of the 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 shall be initiated to recover the loan amount disbursed. Further, any portion of the loan remaining un-drawn after a period of two years from the date of loan sanction shall lapse automatically.

In respect of partly disbursed cases where the amount to be cancelled is more than 20% of the amount sanctioned, the respective loan sanctioning authority is authorized to limit / cancel the loan. However, in respect of cases where loan is sanctioned by Board / EC /CMD/ MD, the CMD/Managing Director is authorized to approve the same. Further action shall be taken to refix the installment commensurate with generation of income within the overall repayment period.

19.10. Re-fixation of installment during implementation:

The Branch Managers are authorized to refix the repayment installments for one time during the implementation of the project, if there is a delay in the implementation of the project, in respect of cases sanctioned upto level of Executive Directors. However, the overall repayment period should not exceed more than 12 months to the original repayment period and the promoters shall be regular in payment of interest dues. In respect of the cases sanctioned by MD/ CMD, EC, Board and Proposals involving extension of repayments beyond 12 months, such proposals shall be approved by the Managing Director.

19.11. Issue of NOC / Release of Charges:

The Branch Managers are authorized 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.

19.12. Issue of NOC for ceding 2nd charge / 3rd charge 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 authorized to issue NOC for ceding 2nd charge / 3rd charge in favour of Banks and other Financial Institutions, Subject to prevailing guidelines and circulars.

19.13. General Guidelines for Disbursement:

- ❖ The disbursement officer shall exercise due diligence while causing disbursement and shall act purely in the interest of the Corporation;
- ❖ The action of the disbursing officer shall be subject to audit, if so, ordered by the Managing Director / Executive Directors;
- ❖ The present guidelines on concurrent audit shall continue to be in vogue for all loans;
- ❖ The interpretation of the guidelines by the Managing Director shall be final.

20. POLICY ON FORECLOSURES / PRE-PAYMENTS:-

Prepayment / foreclosure premium will be charged as follows:

It is discontinued the pre-payment penalty. Further it is proposed to reduce the foreclosure premium to **1%** from the existing policy of 2% and make this applicable only in respect of standard accounts closed by way of take over by banks and financial institutions.



ANNEXURE - I
POLICY ON LINES OF ACTIVITY

Classification of Products / Activities Under Different Sectors

A. AGRO AND FOOD BASED SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 1 | 0617000 | Animal and Poultry Feeds | 100% on all assets other than land & building. | N S |
| 2 | 0622000 | Areca Nut Leaves – Plates and Other Products :- Subject to Ensuing Proper Market Tie-up. | 50% on all assets other than land & building. | N S |
| 3 | 0613100 | Areca Nut & Scented Supari | 100% on all assets other than land & building. | R S |
| 4 | 0608000 | Bakery Products | 100% for the loan allocated for interiors & partitions and 50% for other equipment. | N S |
| 5 | 0608010 | Biscuit / Confectionery -Tie up with Reputed Brand | 100% on all assets other than land & building. | N S |
| 6 | 1702010 | Bone & Fish Meal | - | P S |
| 7 | 0610020 | Brown Sugar [Jaggery Powder] | 100% on all assets other than land & building. | N S |
| 8 | 0613120 | Coffee Curing – only in Chikkamagaluru, Hassan & Kodagu Districts subject to offering collateral security of urban property acceptable to the Corporation. | 100% on all loans other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|-----------------------------------|--|--------|
| 9 | 0613120 | Coffee Roasting & Grinding | 100% on all loans other than land & building. | N S |
| 10 | 0613150 | Decortications of Other Seeds | - | P S |
| 11 | 0613150 | Decortications of Tamarind Seeds | 50% on all loans other than land & building. | N S |
| 12 | 0614050 | Desiccated Coconut Powder | 100% on all assets other than land & building. | N S |
| 13 | 0605000 | Dhal Mill | 100% on all loans other than land & building. | R S |
| 14 | 0621010 | Floriculture | 100% on all assets other than land & building. | R S |
| 15 | 0605020 | Fried Grams | 100% on all assets other than land & building. | N S |
| 16 | 0704000 | Fruit Juices | 100% on all assets other than land & building. | N S |
| 17 | 0621000 | Green House | 100% on all loans | R S |
| 18 | 0612010 | Ice Plant | 100% on all assets other than land & building. | N S |
| 19 | 0610020 | Kandasari Sugar | --- | P S |
| 20 | 0615000 | Malt Extraction | --- | P S |
| 21 | 0613200 | Masala Powder | 50% on all assets other than land & building. | N S |
| 22 | 0613000 | Meat & Fish-It processed products | 100% on all loans other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 23 | 0609000 | Milk Dairy & Dairy Products Processing | 100% on all assets other than land & building. | N S |
| 24 | 0703010 | Mineral Water | 100% on all assets other than land & building. | N S |
| 25 | 0604030 | Mini Rice Mill | --- | P S |
| 26 | 0604000 | Modern Rice Mill (2TPH & above)/ Rice Rava Mill & Flour Mill - Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts are in Thrust Sector. | 50% on all assets other than land & building. | T S |
| 27 | 0604000 | Modern Rice Mill (2TPH & above) / Rice Rave & Flour – All Districts cover under Normal Sector other than Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts. | 75% on all assets other than land & building. | N S |
| 28 | 0616000 | Mushroom | 100% on all loans other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 29 | 0610000 | New Sugar Mill [Composite with Ethanol Production & Co-generation Power plant] | 100% on all loans other than land & building. | N S |
| 30 | 0602000 | Oil Mill [Expellers] | 100% on all assets other than land & building. | R S |
| 31 | 0604080 | Paddy Harvester | 100% on all loans | N S |
| 32 | 0613160 | Papads & Pickles | 50% on all assets other than land & building. | N S |
| 33 | 0604060 | Para Boiled Rice Mill - Only in Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts are in Thrust Sector. | 50% on all assets other than land & building. | T S |
| 34 | 0604060 | Para Boiled Rice Mill – All Districts cover under Normal Sector other than Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts. | 75% on all assets other than land & building. | N S |
| 35 | 0614030 | Pepper & Other Spices | 100% on all loans other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 36 | 0604040 | Poha and Cheera Mill | 100% on all assets other than land & building. | R S |
| 37 | 0620000 | Poultry Farms– with minimum 10,000 birds capacity and Only Bellary District & the erstwhile Bangalore Rural district Corporation limit are permitted to consider the proposals provided agreement with reputed companies like Godrej, Suguna & CP etc. | 150% on all loan amount | R S |
| 38 | 0620000 | Poultry Farms – Bellary District and Bangalore Rural District are in Restricted Sector, Remaining districts are in Prohibition Sector. | --- | P S |
| 39 | 0613030 | Processing of Cashew Nut | 50% on all assets other than land & building. | N S |
| 40 | 0613120 | Processing of Coffee & Related Products | 100% on all assets other than land & building. | N S |
| 41 | 0613040 | Processing of Fruits & Vegetables | 50% on all assets other than land & building. | N S |
| 42 | 0613110 | Processing of Tea & Related Products | 100% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 43 | 2711000 | Pulverizing of Grains | 100% on all assets other than land & building. | R S |
| 44 | 0601010 | Refined Edible Oil | 100% on all assets other than land & building. | R S |
| 45 | 0601060 | Refined Non Edible Oil | 100% on all assets other than land & building. | R S |
| 46 | 0604070 | Rice Mill Drier–Only in Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts are in Thrust Sector. | 50% on all loans other than land & building | T S |
| 47 | 0604070 | Rice Mill Drier – All Districts cover under Normal Sector other than Belgaum, Ballari, Davanagere, Dharwad, Haveri, Kalburgi, Koppala, Raichur, Shivamogga, Tumakuru & Yadgiri Districts. | 75% on all assets other than land & building. | N S |
| 48 | 0607000 | Roller Flour Mill | 100% on all assets other than land & building. | N S |
| 49 | 0612000 | Salt | - | P S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 50 | 0613060 | Seed Processing | 50% on all assets other than land & building. | N S |
| 51 | 0702000 | Soft Drinks | 100% on all assets other than land & building. | N S |
| 52 | 1706000 | Solvent Extraction-Edible Grade | 100% on all assets other than land & building. | R S |
| 53 | 1706060 | Solvent Extraction - Non Edible Grade | 100% on all assets other than land & building. | R S |
| 54 | 0610000 | Sugar Mills [Composite Mills] | 100% on all assets other than land & building. | R S |
| 55 | 0800000 | Tobacco Processing and its Products | - | P S |
| 56 | 0603000 | Vanaspathi | - | P S |
| 57 | 0623000 | Wine Manufacturing - Only for Nandi Valley areas:- Bangalore City, Bangalore Rural & Kolar Districts and Krishna Valley Areas:- Bijapur, Bagalkote & Belgaum Districts. | 50% on all assets other than land & building. | N S |

Note: TS- Thrust Sector, **NS-** Normal Sector, **RS-** Restricted Sector & **PS** – Prohibited Sector

B. CERAMIC, REFRACTORIES AND MINERAL BASED INDUSTRIES SECTOR :

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 1 | 1905060 | AC Pipes, Sheets and Fittings | 100% on all assets other than land & building. | R S |
| 2 | 1907000 | Ceramics and Pottery | 100% for all loans | N S |
| 3 | 1904000 | Granite Quarrying | 100% for all loans | N S |
| 4 | 1904010 | Granite Slabs / Products | 50% on all assets other than land & building. | N S |
| 5 | 1905030 | Hollow Bricks / Concrete Blocks- to Bangalore Rural District & Urban District, Ramanagar & Kolar, Tumakuru are in Thrust Sector. | 75% for machinery and 50% for building. | T S |
| 6 | 1905030 | Hollow Bricks / Concrete Blocks – All Districts cover under Normal Sector other than Bangalore Rural District & Urban District, Ramanagar, Kolar & Tumakuru. | 100% for machinery and 50% for building | N S |
| 7 | 1912000 | Lime and Lime Products | 100% on all assets other than land & building. | N S |
| 8 | 1903040 | Manufactured Sand | 100% on plant & machinery loan. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 9 | 0201010 | Metal Mining | 75% for equipment and 100% for development of mines. | N S |
| 10 | 1905090 | Mini Cement Plant | --- | P S |
| 11 | 1905090 | New Cement Plant (above 100 TDP) | 100% on all loans than land & building. | N S |
| 12 | 0500000 | Non Metal Mining | 75% for all loans | N S |
| 13 | 1905050 | PCC & RCC products | 100% on all assets other than land & building. | N S |
| 14 | 1910000 | Plaster of Paris | 100% on all assets other than land & building. | N S |
| 15 | 1909000 | Quartz Powder Crucibles | 100% on all assets other than land & building. | R S |
| 16 | 1908000 | Refractory Products | 50% on all assets other than land & building. | N S |
| 17 | 1913000 | Silica Products | 100% on all assets other than land & building. | R S |
| 18 | 1905010 | Spun Pipes | 100% for all loans | N S |
| 19 | 1903000 | Stone & Stone Products | 100% on all assets other than land & building. | N S |
| 20 | 1903020 | Stone Crusher – Units coming up in Safe Zone area only are to be financed | 100% for all loans | N S |
| 21 | 0400000 | Stone Quarrying | 100% for all loans | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 22 | 1907050 | Stone Ware Pipes | 50% on all assets other than land & building. | N S |
| 23 | 1902020 | Table Moulded Bricks - Bangalore Rural District & Urban Districts Chikkaballapura, Ramanagar, Kolar, Tumakuru Districts are in Thrust Sector. | 75% for machinery and 50% for building | T S |
| 24 | 1902020 | Table Moulded Bricks - All districts cover under Normal Sector other than Chikkaballapura, Ramanagar, Kolar, Tumakuru, Bangalore Rural District & Urban Districts. | 100% for machinery and 50% for building | N S |
| 25 | 1901000 | Vitrified tiles / Clay Tiles / Mosaic Tiles | 100% on all assets other than land & building. | N S |
| 26 | 1902010 | Wirecut Bricks- Bangalore Rural District & Urban District, Chikkaballapura, Ramanagar, Kolar, Tumakuru Districts are in Thrust Sector. | 75% for machinery and 50% for building | T S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 27 | 1902010 | Wirecut Bricks - All Districts cover under Normal Sector other than Chikkaballapura, Ramanagar, Kolar, Tumakuru, Bangalore Rural District & Urban Districts. | 100% for machinery and 50% for building | N S |

Note: **T S**- Thrust Sector, **N S**- Normal Sector, **R S**- Restricted Sector & **P S** – Prohibited Sector

C. CHEMICALS AND CHEMICALS RELATED PRODUCTS:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|-----------------------------------|--|--------|
| 1 | 1712030 | Acid - Slurry | - | P S |
| 2 | 1704020 | Acid, Base and Naphthols | - | P S |
| 3 | 1707020 | Agarabathi Chemicals | 50% on all assets other than land & building. | N S |
| 4 | 0701000 | Alcoholic Beverages | - | P S |
| 5 | 1719000 | Alum | 100% on all assets other than land & building. | R S |
| 6 | 1720000 | Analysis of Chemicals | 100% on all assets other than land & building. | N S |
| 7 | 0703000 | Carbonated water (Aerated Water) | - | P S |
| 8 | 1906050 | Consumer Glass Products | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 9 | 1717000 | Detergent Powder | 100% on all assets other than land & building. | R S |
| 10 | 1704000 | Dyes and Dyestuffs | 100% on all assets other than land & building. | N S |
| 11 | 1722000 | Electroplating | 100% on all assets other than land & building. | N S |
| 12 | 1723000 | Enameling | 100% on all assets other than land & building. | R S |
| 13 | 1713025 | Enzymes & Vitamins | 75% on all assets other than land & building. | N S |
| 14 | 1707040 | Essential and Aromatic Oil | 50% on all assets other than land & building. | N S |
| 15 | 0610040 | Ethanol | 50% on all assets other than land & building. | N S |
| 16 | 1702000 | Fertilizer Granulation / Mixing | 100% on all assets other than land & building. | T S |
| 17 | 1710000 | Industrial Alcohol & Alcoholic Products | 50% on all assets other than land & building. | N S |
| 18 | 1711000 | Industrial Gases | 100% on all assets other than land & building. | N S |
| 19 | 1906020 | Industrial Glass Products | 50% on all assets other than land & building. | N S |
| 20 | 1714000 | Lubricant Oil & Grease | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 21 | 1707030 | Mosquito Coils | 100% on all assets other than land & building. | R S |
| 22 | 1712020 | Nitro Glycerin Based Industrial Explosive | --- | P S |
| 23 | 1703000 | Paints, Varnishes, Lacquers | 50% on all assets other than land & building. | T S |
| 24 | 1707000 | Perfumery & Cosmetics | 50% on all assets other than land & building. | N S |
| 25 | 1709000 | Pesticides | 100% on all assets other than land & building. | R S |
| 26 | 1800000 | Petroleum Products | 100% on all assets other than land & building. | R S |
| 27 | 0300000 | Petroleum Products / Industrial Solvents | 75% on all assets other than land & building. | N S |
| 28 | 1804000 | Pyrolysis Oil | 100% on all assets other than land & building. | R S |
| 29 | 1708000 | Safety Matches and Fire Works | - | P S |
| 30 | 1903040 | Soap Stone polishing | - | P S |
| 31 | 1705020 | Starch -Maize | 50% on all assets other than land & building. | N S |
| 32 | 1718000 | Synthetic Resins and Oil Adhesives | 100% on all assets other than land & building. | R S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|------------------------------|--|--------|
| 33 | 1705000 | Tamarind – Industrial Starch | 100% on all assets other than land & building. | N S |

Note: **T S**- Thrust Sector, **N S**- Normal Sector, **R S**- Restricted Sector & **P S** – Prohibited Sector

D. CONSTRUCTION & REAL ESTATE SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 1 | 2802000 | Construction of Commercial Complex* | Exclusive Collateral security to the extent of minimum 50% of the term loan. * Please refer Circulars No. 1000 Dtd.02.02.2018 & ION dtd. 12.10.2018 | N S |
| 2 | 2802000 | Construction of Ready Built Office Space on Build & Sale Model * | | N S |
| 3 | 2805000 | Construction of Residential Apartment, Residential Villas, Group Housing* | | N S |
| 4 | 2803000 | Community Hall / Convention Centers | 100% on interior & furniture and 50% on loan amount earmarked equipment. | R S |
| 5 | 2802000 | Development of Commercial Layout* | Exclusive Collateral security to the extent of minimum 25% of the term loan. * Please refer Circulars No. 1000 Dtd.02.02.2018 & 12.10.2018 | N S |
| 6 | 3200000 | Development of Industrial Layout / Estate* | | N S |
| 7 | 2809000 | Development of Residential Layout * | | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 8 | 2208050 | Earth Moving Equipment | 100% on all loan. | N S |
| 9 | 2811000 | Godown / Warehouse * | <p>Minimum of 50% may be insisted. Where the land cost is not financed, the value of land may be considered for security and the difference should be made good by way of collateral security. In case of the project where land is financed, collateral security of 50% may be obtained.</p> <p>The collateral security can also be by way of coverage under the Collateral Guarantees Scheme for SC & ST Entrepreneurs.</p> <p>*pls refer Circular No. 1009 dtd.11.3.2020.</p> | T S |
| 10 | 2812000 | Infrastructure Projects | 100% in the form of fixed assets. | T S |
| 11 | 2807000 | Professional Educational Institutions Infrastructure. | 100% on all assets other than land & building | N S |
| 12 | 2813000 | Purchase of Ready Built Office Space | 100% for loan allocated for interiors & partitions and 50% for equipment. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|---|--------------|---|---|--------|
| 13 | 2806000 | Software Technology [STP] Parks / Bio Technology [BT] Parks | 100% for loan allocated for interiors and partitions and 50% for plant & machinery. | N S |
| <p>NOTE: All the CRE proposals shall be accepted with the prior approval from the Managing Director / CMD. In respect of other activities specified in the construction such as infrastructure projects, formation of residential layout etc., the sanctioning authority continues to be the MD / CMD.</p> | | | | |

E. DRUGS AND PHARMACEUTICALS:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 1 | 1713040 | Ayurvedic Drugs | 50% on all assets other than land & building. | N S |
| 2 | 1726010 | Bio Tech Products | 100% on all assets other than land & building. | T S |
| 3 | 1726000 | Bio Technology | 100% on all assets other than land & building. | T S |
| 4 | 1713070 | Bulk Drugs | 75% on all assets other than land & building. | N S |
| 5 | 1707050 | Medicinal Cosmetics | 50% on all assets other than land & building. | N S |
| 6 | 1713010 | Pharmaceutical Formulation of Allopathic Drugs | 50% on all assets other than land & building. | T S |
| 7 | 1716000 | Soaps & Soap Oil | 100% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|-------------|--|--------|
| 8 | 1715000 | Tooth Paste | 100% on all assets other than land & building. | N S |

Note: **T S**- Thrust Sector & **N S**- Normal Sector

F.ELECTRICAL AND ELECTRONICS INDUSTRIE SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 1 | 3402030 | Audio , Video & Ad Film Processing, Editing, Dubbing / Recording Studios | 150% on all loans other than land & building. | N S |
| 2 | 3402230 | Automotive Electronics | 100% on all assets other than land & building. | T S |
| 3 | 2304000 | Briquetted Fuel / Bio Fuel | 50% on all loans than land & building. | N S |
| 4 | 2301061 | CFL Lamps | 50% on all assets other than land & building. | N S |
| 5 | 3500000 | DG set / Mobile Generator | 30% for manufacture unit & 100% for Mobile Generator | T S |
| 6 | 2301180 | Electrical Transformers & Switchgears | 50% on all loans other than land & building. | N S |
| 7 | 3402000 | Electronic Components | 100% on all assets other than land & building. | T S |
| 8 | 3402180 | Electronic Measuring Instruments | 100% on all assets other than land & building. | T S |
| 9 | 3402190 | Electronic Weighing System | 100% on all assets other than land & building. | T S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|------------|
| 10 | 2301050 | Fluorescent Tubes | 100% on all assets other than land & building. | R S |
| 11 | 2301210 | GLS Lamps | --- | P S |
| 12 | 2816000 | Green Technology – Green Building, Green Chemistry | 50% on all loans other than land & building. | N S |
| 13 | 1304080 | Insulating Materials (This products used in electrical transformers and as packing material of automobiles and granite slabs) | 50% on all loan other than land & building. | N S |
| 14 | 3402240 | Manufacturing of Electro Medical Equipment | 30% on all assets other than land & building. | T S |
| 15 | 2218000 | Measuring Instruments | 100% on all assets other than land & building. | N S |
| 16 | 2301211 | Mfg. of UPS | 50% on all assets other than land & building. | T S |
| 17 | 2600000 | Motion Picture / TV Serial Production | 200% on all loan. | R S |
| 18 | 2504010 | Non Conventional Energy – Bio Waste | 50% on all assets other than land & building. | T S |
| 19 | 2504020 | Non Conventional Energy – Solar | 50% on all assets other than land & building. | T S |
| 20 | 2504000 | Non Conventional Energy – Windmill | 50% on all assets other than land & building. | T S |
| 21 | 3402550 | PCB Assembly | 100% on all loans other than land & building. | T S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 22 | 2602000 | Photo Printing / Colour Processing Lab | 75% on all assets other than land & building. | N S |
| 23 | 2302000 | Power Generation Plant - Hydel | 50% on all assets other than land & building. | T S |
| 24 | 2303100 | Solar Cookers | 50% on all assets other than land & building. | N S |
| 25 | 2303110 | Solar Heaters | 50% on all assets other than land & building. | N S |
| 26 | 2303120 | Solar Lamps / Lights | 50% on all assets other than land & building. | N S |
| 27 | 2301210 | Storage Battery | 100% on all loans other than land & building. | N S |

Note: T S - Thrust Sector, N S - Normal Sector, R S - Restricted Sector & P S – Prohibited Sector

G.ENGINEERING, MECHANICAL & ALLIED PRODUCTS SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 1 | 2219000 | Aerospace Related Activity | 50% on all assets other than land & building. | T S |
| 2 | 1203000 | Aluminum Furniture and Fixtures | 100% on all assets other than land & building. | N S |
| 3 | 2406020 | Authorised Automobile Servicing and Calibration / Wheel Balancing | 30% on all assets other than land & building. | T S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| | | Other Automobile Servicing and Calibration / Wheel Balancing | 50% on all assets other than land & building. | T S |
| 4 | 2406000 | Automobile Ancillary Units | 30% on all assets other than land & building. | T S |
| 5 | 2406030 | Automobile Spares | 30% on all assets other than land & building. | N S |
| 6 | 2003000 | Bar, Wire & Tube Drawing / Barbed Wire Fencing | 50% on all assets other than land & building. | N S |
| 7 | 3603022 | CAD / CAM / R & D Facility Centers | 100% on intangible assets and 50% on equipment / machinery. | T S |
| 8 | 2703000 | Clock and Time Pieces | 100% on all assets other than land & building. | R S |
| 9 | 2203220 | CNC Centers | 30% on all assets other than land & building. | T S |
| 10 | 2011000 | Deep Drawing (Pressed Components) | 30% on all assets other than land & building. | N S |
| 11 | 2107020 | Diamond and Carbide Tipped Tools and Dies | 50% on all assets other than land & building. | T S |
| 12 | 2004030 | Die Castings | 30% on all assets other than land & building. | N S |
| 13 | 2301030 | Electrical Consumer Goods | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|--------------|---------------------|---------------------------------|--|---------------|
| 14 | 2301250 | Electrical Furnaces | 50% on all assets other than land & building. | N S |
| 15 | 2104000 | Galvanising | 100% on all assets other than land & building. | N S |
| 16 | 2218010 | Gauges and Valves | 50% on all assets other than land & building. | N S |
| 17 | 2406080 | Gears | 30% on all assets other than land & building. | N S |
| 18 | 2714010 | General Engineering Work Shop | 50% on all assets other than land & building. | N S |
| 19 | 2108060 | GI Buckets & Tin Containers | 100% on all assets other than land & building. | R S |
| 20 | 2107000 | Hand Tools & Other Forged Tools | 50% on all assets other than land & building. | N S |
| 21 | 2008000 | Heat Treatment | 50% on all assets other than land & building. | N S |
| 22 | 2007000 | Heavy Structural Fabrication | 30% on all assets other than land & building. | N S |
| 23 | 2107051 | Industrial Abrasives | 50% on all assets other than land & building. | N S |
| 24 | 2107070 | Industrial Chains | 50% on all assets other than land & building. | N S |
| 25 | 2110000 | Industrial Metal Components | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 26 | 2704000 | Jewellery Manufacturing | 50% on all assets other than land & building. | N S |
| 27 | 2107080 | Locks, Hinges & Latches | 50% on all assets other than land & building. | N S |
| 28 | 2203000 | Machine Tools | 30% on all assets other than land & building. | T S |
| 29 | 2301240 | Machinery Mfrg. – Medical Equipment | 30% on all assets other than land & building. | N S |
| 30 | 2407000 | Manufacture of Automobiles | 50% on all assets other than land & building. | N S |
| 31 | 2200000 | Manufacture of Machine Tools | 30% on all assets other than land & building. | N S |
| 32 | 2005000 | Metal Forging | 30% on all assets other than land & building. | N S |
| 33 | 2004000 | Metal Castings | 50% on all assets other than land & building. | N S |
| 34 | 2105000 | Metal Fasteners – Nails, Nut, Bolts etc. | 50% on all assets other than land & building. | T S |
| 35 | 2009000 | Metal Powder Coating | 50% on all assets other than land & building. | N S |
| 36 | 2108000 | Metal Ware & Utensils – Aluminum, Copper, Brass & Silver | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 37 | 2709000 | Metallic Arts & Crafts Manufacturing | 75% on all assets other than land & building. | N S |
| 38 | 2406190 | Mfg. of Automobile Components | 30% on all assets other than land & building. | T S |
| 39 | 2001000 | Mini Steel Plant | 50% on all assets other than land & building. | N S |
| 40 | 1206000 | Modular Furniture / Interiors | 50% on all assets other than land & building. | N S |
| 41 | 2107030 | Other Metal Products | 50% on all assets other than land & building. | N S |
| 42 | 2707000 | Pen and Stationery Articles | 100% on all assets other than land & building. | N S |
| 43 | 2108050 | PP Caps | 50% on all assets other than land & building. | N S |
| 44 | 2203170 | Precision Machine Components | 30% on all assets other than land & building. | T S |
| 45 | 2301310 | Repairs and Servicing Electrical Items | 50% on all assets other than land & building. | N S |
| 46 | 2002000 | Re-Rolling Mills | 50% on all assets other than land & building. | N S |
| 47 | 2101000 | Sheet Metal Product [Fabrication] | 30% on all assets other than land & building. | N S |
| 48 | 2113000 | Sponge Iron | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 49 | 2112000 | Springs | 50% on all assets other than land & building. | N S |
| 50 | 2108010 | Stainless Steel Metal Wares and Utensils | 50% on all assets other than land & building. | N S |
| 51 | 1202000 | Steel Furniture & Fixtures | 100% on all assets other than land & building. | N S |
| 52 | 2301042 | Submersible Pumps | 50% on all assets other than land & building. | N S |
| 53 | 2103000 | Tool Room Activity | 30% on all assets other than land & building. | N S |
| 54 | 2401000 | Vehicle Body Building | 50% on all assets other than land & building. | N S |
| 55 | 2109000 | Watches & Watch Components | 100% on all assets other than land & building. | R S |

Note: T S - Thrust Sector, N S - Normal Sector, R S - Restricted Sector & P S – Prohibited Sector

H. ENTERTAINMENT SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|---|--------|
| 1 | 2603000 | Cinema Theater / Multiplex | 75% on all assets other than land & building. | R S |
| 2 | 28001020 | Event Management / Organising -Function | 100% on all loans | T S |

Note: T S - Thrust Sector & R S - Restricted Sector

I. HEALTH SECTOR

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 1 | 2908000 | Ambulance Service | 100% on all loans. | T S |
| 2 | 2712000 | Diagnostic Center Including X-ray, Scanning and Laboratory Services | 50% on all assets other than land & building. | T S |
| 3 | 2712010 | Electro Medical Equipment for Doctors | 100% on all loans. | T S |
| 4 | 2713040 | Gym / Health Club | 100% on all assets other than land & building. | N S |
| 5 | 2713000 | Medical Services – Clinics / Medical Stores | 50% on all assets other than land & building. | T S |
| 6 | 2713010 | Nursing Homes & Hospitals | 50% on all assets other than land & building. | T S |

Note: **T S** - Thrust Sector & **N S** - Normal Sector

J. HOSPITALITY SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 1 | 2808000 | Amusement Park / Recreation Facility / Food Court | 100% on all assets other than land, building and equipment such as generators & lifts. | R S |
| 2 | 2804010 | Home Stay – Chikkamagalur, Hassan, Karwar & Kodagu. | --- | P S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 3 | 2800000 | Hotel Projects / Tourism related activities | 100% on all assets other than land, building and equipment such as generators & lifts. | R S |
| 4 | 2801010 | Mobile Canteen / Catering | 100% on all loans | R S |
| 5 | 2804000 | Resorts | 100% on all assets other than land, building and equipment such as generators & lifts. | R S |
| 6 | 2801000 | Restaurant & Darshini | 100% on interiors & furniture and 30% on loan earmarked for equipment. | R S |
| 7 | 2808000 | Ropeway Facilities | 100% on all assets other than land & building | R S |
| 8 | 2805010 | Service Apartment Only in Bangalore -BBMP Area and City Corporation Limits of Mysore, Mangalore, Hubli, Dharwad and Belgaum. | 100% on all assets other than land & building | R S |
| 9 | 2810000 | Travel, Transport & Tourist Service Agencies | 100% on all loans | R S |

Note: **R S** - Restricted Sector & **P S** – Prohibited Sector

K. LEATHER PRODUCT SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|-------------------------------------|--|--------|
| 1 | 1500000 | Leather | 100% on all assets other than land & building. | R S |
| 2 | 1001010 | Leather Foot Wears | 100% on all assets other than land & building. | R S |
| 3 | 1002000 | Leather Garments & Related Products | 50% on all assets other than land & building. | R S |
| 4 | 1004010 | Leather Hand Gloves | 100% on all assets other than land & building. | R S |
| 5 | 1503000 | Leather Sports & Other Goods | 100% on all assets other than land & building. | R S |
| 6 | 1501000 | Leather Tanning & Finishing | 100% on all assets other than land & building. | R S |

Note: **R S**- Restricted Sector

L. MISCELLANEOUS INDUSTRIES:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 1 | 3801001 | Borewell Rigs | --- | P S |
| 2 | 1726020 | Hazardous Waste Solid Waste Management | 100% on all loans. | T S |
| 3 | 2701000 | Scientific Measuring & Controlling Instruments | 100% on all loans other than land & building. | N S |

Note: **TS** - Thrust Sector, **RS** - Restricted Sector & **P S** – Prohibited Sector

M.PAPER & PAPER PRODUCTS SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|--|--------|
| 1 | 1304020 | Corrugated Boxes and Boards | 50% on all assets other than land & building. | N S |
| 2 | 1303000 | Handmade Paper | 50% on all assets other than land & building. | N S |
| 3 | 1302020 | Kraft paper / Mill Boards | 50% on all assets other than land & building. | N S |
| 4 | 1304000 | Paper & Paper Products | 100% on all assets other than land & building. | N S |
| 5 | 1301000 | Paper and Board | 100% on all assets other than land & building. | N S |
| 6 | 1304010 | Paper Bags – Other than Recycled Paper / Pulp | 50% on all assets other than land & building. | N S |
| 7 | 1304060 | Paper Egg Trays | 50% on all assets other than land & building. | N S |
| 8 | 1304050 | Paper Files and Folders – Other than Recycled Paper / Pulp | 50% on all assets other than land & building. | N S |
| 9 | 1304070 | Paper Tubes | 100% on all assets other than land & building. | N S |

Note: **N S**- Normal Sector

N.PLASTIC SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|--------------|---------------------|--|--|---------------|
| 1 | 3710070 | Fibre Glass Products | 100% on all assets other than land & building. | N S |
| 2 | 3710060 | Plastic Consumer Goods | 50% on all assets other than land & building. | N S |
| 3 | 3710020 | Plastic Films | 50% on all assets other than land & building. | N S |
| 4 | 3710050 | Plastic Industrial Goods | 50% on all assets other than land & building. | N S |
| 5 | 3710030 | Plastic Monofilaments | 50% on all assets other than land & building. | N S |
| 6 | 3710040 | Plastic Packing Materials [Exceeding 40 Microns] | 50% on all assets other than land & building. | N S |
| 7 | 3710010 | Plastic Pipes, Conduits | 50% on all assets other than land & building. | N S |
| 8 | 1001020 | Plastic Shoes and Chappals | 100% on all assets other than land & building. | R S |
| 9 | 3710041 | Plastic Woven Sacks | 75% on all assets other than land & building. | N S |

Note: **NS** - Normal Sector & **RS** - Restricted Sector

O.PRINTING & PUBLISHING SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|----------------------------|--|--------|
| 1 | 1404000 | Book Ruling and Binding | 50% on all assets other than land & building. | T S |
| 2 | 1301090 | Computer Stationery | 100% on all assets other than land & building. | N S |
| 3 | 1401080 | Digital & Flexo Printing | 50% on all assets other than land & building. | N S |
| 4 | 1401030 | Offset Printing | 50% on all assets other than land & building. | T S |
| 5 | 1403000 | Printing Publishing | 50% on all assets other than land & building. | T S |
| 6 | 1401050 | Printing Graphics | 50% on all assets other than land & building. | N S |
| 7 | 1405000 | Xerox, Photo Copying / STD | 100% on all assets other than land & building. | N S |

Note: **T S** - Thrust Sector & **N S** - Normal Sector

P. RUBBER AND RUBBER PRODUCTS:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--|---|--------|
| 1 | 1607000 | Consumer Rubber Products | 50% on machinery excluding the loan amount earmarked towards land & building. | N S |
| 2 | 1608000 | Industrial Rubber Products/ Including Rubber | 50% on machinery excluding the loan amount earmarked towards land & building | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|------------------------------------|---|--------|
| 3 | 1605000 | Industrial – V Belts and Fan Belts | 50% on all assets other than land & building | N S |
| 4 | 1611000 | Mixing of Rubber | 50% on assets other than land & building. | N S |
| 5 | 1608050 | Rubber Hoses & Pipes etc. | 50% on assets other than land & building | N S |
| 6 | 1606000 | Rubber Foot Wear | 50% on all assets other than land & building | N S |
| 7 | 1609000 | Rubberised Coir and Foam Rubber | 50% on machinery excluding the loan amount earmarked towards land & building. | N S |
| 8 | 1603000 | Tread Rubber | 50% on assets other than land & building | N S |
| 9 | 1601000 | Tyres and Tubes | 50% on assets other than land & building. | N S |
| 10 | 1604000 | Tyre Retreading | 50% on assets other than land & building. | N S |

Note: **N S** - Normal Sector

Q. SERVICE SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--------------------|--|--------|
| 1 | 0612020 | Cold Storage | 100% on all assets Please refer : Circular No. 1009. 11.03.2020 | N S |
| 2 | 3300000 | Consulting Service | 100% on all assets other than land & building. | N S |

Note: : **T S** - Thrust Sector & **N S** - Normal Sector

R. TEXTILE AND READY MADE GARMENTS SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---------------------------------|--|--------|
| 1 | 906010 | Cellulosic & Synthetic Fibre | - | P S |
| 2 | 908010 | Coir Processing & Coir Products | 100% on all assets other than land & building. | R S |
| 3 | 1002010 | Computerized Embroidery | 50% on all assets other than land & building. | N S |
| 4 | 0901010 | Cotton - Ginning | 50% on all assets other than land & building. | N S |
| 5 | 0901020 | Cotton - Pressing (Bailing) | 50% on all assets other than land & building. | N S |
| 6 | 0901030 | Cotton – Spinning | 50% on all assets other than land & building. | N S |
| 7 | 0901043 | Cotton Thread Processing | 50% on all assets other than land & building.- | N S |
| 8 | 0901040 | Cotton Weaving - Handloom | 100% on all assets other than land & building. | R S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 9 | 0901042 | Cotton Weaving – Powerloom | 75% on all assets other than land & building. | N S |
| 10 | 3710043 | Jute Bags | --- | P S |
| 11 | 0906021 | Nylon & Polyester Yarn | 100% on all assets other than land & building. | R S |
| 12 | 1002000 | Ready Made Garments – a minimum of 50 Sewing Machines | 50% on all loans other than land & building. | N S |
| | 1002000 | Ready Made Garments for others – less than 50 Sewing Machines | 100% on all loans other than land & building.- | N S |
| 13 | 0902010 | Silk Twisting & Reeling | 50% on all assets other than land & building. | N S |
| 14 | 0902031 | Silk and Art Silk Weaving – Handloom | 50% on all assets other than land & building. | N S |
| 15 | 0902032 | Silk and Art Silk Weaving – Powerloom | 75% on all assets other than land & building. | N S |
| 16 | 0901050 | Surgical Cotton | 50% on all assets other than land & building. | N S |
| 17 | 0907000 | Textile Processing Industries | 50% on all assets other than land & building. | N S |
| 18 | 1003000 | Umbrella | 50% on all assets other than land & building. | N S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|--------------------------|--|--------|
| 19 | 0905000 | Wool and Woolen Products | 100% on all assets other than land & building. | R S |
| 20 | 1005000 | Woven Cloth Articles | 100% on all assets other than land & building. | N S |
| 21 | 0904000 | Zari and Zari Goods | 100% on all assets other than land & building. | R S |

NOTE : N S- Normal Sector, R S - Restricted Sector & P S – Prohibited Sector

R. TELECOMMUNICATION AND IT RELATED ACTIVITIES:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|---|--------|
| 1 | 3603021 | Business Process Outsourcing (BPO) | 100% on all assets other than land & building | T S |
| 2 | 3600000 | Computer Service Activities | 100% on all assets other than land & building | T S |
| 3 | 3602000 | Computer & Computer Peripherals Manufacturing | 100% on all assets other than land & building | T S |
| 4 | 3603010 | Internet Service Provider | 125% on all assets other than land & bldg. | N S |
| 5 | 3603020 | IT Enabled Services | 100% on all assets other than land & building | T S |
| 6 | 3603000 | IT Related Industries | 100% on all assets other than land & building | T S |
| 7 | 3402600 | Microwave Components & Telecommunication | 100% on all assets other than land & building | T S |

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---------------------------------|---|--------|
| 8 | 3603030 | Software Development & Training | 100% on all assets other than land & building | T S |

Note: **TS** - Thrust Sector & **NS** - Normal Sector

S. TRANSPORT VEHICLES SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|-------|--------------|---|--|--------|
| 1 | 2906000 | Auto Rickshaws | --- | P S |
| 2 | 2901000 | Buses | 100% on all assets | N S |
| 3 | 3010000 | Cargo Vessel | 100% on all assets other than land & building. | R S |
| 4 | 2902000 | Cars, Vans and Tractors – Maximum limit for sanction of loan for private vehicles can be Rs.15.00 lakhs | 100% on all assets | N S |
| 5 | 2903000 | Goods Carrier (Trucks) | 100% on all assets | N S |
| 6 | 2691000 | Helicopter Services | 100% on all loans | N S |
| 7 | 2904000 | LMVs and Matadors | 100% on all assets | N S |
| 8 | 2902000 | Public Carrier | 100% on all assets | N S |
| 9 | 2909000 | Vehicles to Existing Units / Promoters | 30% on all assets | N S |
| 10 | 2909000 | Vehicles to Self Employed Professionals | 30% on all assets | N S |

NOTE : **N S** - Normal Sector & **R S** - Restricted Sector

T.WOOD BASED SECTOR:

| SI No | Product Code | Activity | Collateral Security on Loan Amount | Sector |
|--------------|---------------------|--|--|---------------|
| 1 | 1107000 | Cane and Cork Products | 100% on all assets other than land & building. | R S |
| 2 | 1304030 | Card Board Boxes | 50% on all assets other than land & building. | N S |
| 3 | 1109000 | Other Wooden Products | 100% on all assets other than land & building. | R S |
| 4 | 1104000 | Plywood | 50% on all assets other than land & building. | N S |
| 5 | 1103000 | Veneers for Plywood | 50% on all assets other than land & building. | N S |
| 6 | 1101000 | Wood Based Industries - Saw Mill, Carving etc. | 100% on all assets other than land & building. | R S |
| 7 | 1101000 | Wood Plaining Industry | 100% on all assets other than land & building. | R S |
| 8 | 1102000 | Wood Treatment | 100% on all assets other than land & building. | R S |
| 9 | 1201000 | Wooden Furniture & Fixtures | 100% on all assets other than land & building. | R S |
| 10 | 1110000 | Wooden Handicrafts | 100% on all assets other than land & building. | R S |
| 11 | 1105000 | Wooden Packing Materials | 100% on all assets other than land & building. | R S |

NOTE : N S - Normal Sector & R S - Restricted Sector

ANNEXURE- II
SCHEMES OF ASSISTANCE

| Sl. No. | PARTICULARS |
|---------|---|
| 1 | <p>Single Window Scheme – for New units Reference: circular No.817 dtd 31.07.2008 issued by MD Eligible Borrowers: All new MSMEs to be engaged in the manufacture or production, processing or preservation of goods i.e. manufacturing enterprises where the total venture outlay (including the total working capital requirement) does not exceed Rs.200 lakhs. Remarks: Minimum assistance - Rs.2.00 lakhs to maximum assistance of working capital -Rs.50.00 lakhs.</p> |
| 2 | <p>Working Capital Term Loan - for Existing units Reference: Circular No.817 dtd 31.07.2008 issued by MD Eligible Borrowers: Existing MSMEs engaged in the manufacture or production, processing or preservation of goods i.e. manufacturing enterprises. The units who have availed term loans earlier from the Corporation are also eligible for additional WCTL. Availing of a term loan is not a pre-conditions for granting eligible WCTL under this scheme. Remarks : Minimum assistance - Rs.2.00 lakhs Maximum assistance -Rs.150.00 lakhs</p> |
| 3 | <p>Construction & Real Estate (CRE) Projects: Reference: Circular No. 1000 dtd.02-02-2018 issued by MD Eligible Borrowers: Property Developers, construction companies and partnership firms. Purpose: To provide financial assistance for development of residential/industrial/commercial layouts. construction of residential apartments / villas, group housing, commercial complexes or office spaces on build and sale model and Joint Development Projects.</p> |
| 4 | <p>Finance for Tourism Related Activities: Reference: Circular Nos: 487 dt.31-1-94/No.487B dt. 5-5-94 No.196 dt.3-6-89 / No.239 dt.6-11-89 / No.248 dt. 26-12-89 Eligible Borrowers: Sole proprietor-ships, partnerships, co-operative societies, private / public limited companies.</p> |

- i) **Amusement Parks:** Assistance will be extended for providing facilities such as toy trains, boat clubs, giant wheels, merry go-rounds, roller coasters, pony rides, mini zoos, small restaurant other assets like conveyors and ropeways etc.
- ii) **Convention Centers:** Convention and cultural centers used for conducting cultural programs as well as conferences, seminars, exhibition etc. Audio-visual aids like overhead projectors, film and slide projectors and sound systems will be considered for assistance.
- iii) **Restaurants:** Assistance is available for restaurants in tourist locations like pilgrimage centers, historical places, beaches, ports, wildlife sanctuaries and picnic spots. Restaurants which are located on highways and small towns which cater to the needs of tourists will also be considered for assistance. The restaurant should have a minimum area of 50 Sq.Mtrs. (500 Sq.ft.)
- iv) **Travel & Transport:** Financial proposals of travel agencies with a fleet of cars and/ or vans will be considered. Such travel facilities should be at or in the vicinity of leading hotels, airports, railway or bus stations, amusement parks, cultural and convention centers. Mini buses, full-fledged buses and taxis which satisfy the norms of tourism development & Government. The minimum number of vehicles, cars / vans has to be three. The transport operator / agency should have a tie-up with a leading hotel / amusement park.
- v) **Tourist Service Agencies:** The agency should provide services like booking air, road and rail tickets, hiring taxis, booking hotels and tourist guides. These agencies should operate from major cities and must have a network of their own. In the case of tour operators, travel; agents and excursion agents, it is necessary that they obtain recognition from the Department of Tourism. Office buildings, including facilities such as telephone, telex, fax, photocopier, office equipment, personal computers etc., will also be considered for assistance.
- vi) **Hotels & Restaurants:** *Reference:* Circular No.336 dt. 01.06.1991
- vii) **Mobile Canteen/ Catering:** *Reference:* Circular No.658 dt. 23.10.1997

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| | <p>Purpose: Assistance for running a mobile canteen / catering service for acquisition of vehicles, kitchen equipment, catering equipment, grocery, cutlery, linen etc.</p> |
| 5 | <p>Assistance to Medical Practitioners / Health Care Services:</p> <p>i) Assistance to Doctors / Qualified Medical Practitioners:</p> <p>Reference: Circular No. 865 dtd. 6.12.2005 issued by ED(O) &1011 dtd.6.7.2020</p> <p>Eligible Borrowers: Doctors / medical practitioners with a bachelor's degree in any branch of medicine from recognised institute / university for setting up of clinic. People holding bachelor degree in radiology, bio-physics and bio-technology with at least 5 years experience and a certificate of practice from a relevant authority. Qualified veterinary doctors are also eligible for assistance. The promoters should be an income tax payee for last 2 years.</p> <p>Purpose: Purchase of the premises / renovation of the existing premises, acquiring fixed assets like furniture, computers, office automation, ambulance, car / van, interiors and medicare related equipment required for a clinic.</p> <p>ii) Assistance of Nursing Home / Hospitals:</p> <p>Eligible Borrowers: Establishment of new and expansion / modernisation of existing nursing homes and hospital.</p> <p>Eligibility Criteria as follows:</p> <p>In respect of Nursing home / Hospital, at least one of the promoters shall be a qualified medical professional.</p> <p>Purpose: Loan available for land, building and equipment for diagnostic, monitoring the therapeutic use, air conditioners (for operation theaters & intensive care units) ambulance etc.</p> <p>iii) Assistance for Acquiring Electro Medical Equipment:</p> <p>Eligible Borrowers: Hospital, Nursing homes and medical practitioners with relevant qualification in general medicine, dentistry, radiology etc.</p> |

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| | <p>Eligibility Criteria as follows:</p> <p>In respect of Diagnostic Centres, one of the promoter shall be qualified pathologist / lab technician.</p> <p>Purpose: For procurement of new electro-medical and related equipment with accessories like C.T. Scanners, Endoscopy, Gastroscopy, X-ray etc. Loan is also available for diagnostic laboratories.</p> |
| 6 | <p>Interest Subsidy Scheme of GoK for Scheduled Caste and Scheduled Tribes Entrepreneurs:</p> <p>Reference : (I) Circular No. 908 dated 11.06.2010 issued by CMD(ii) Circular No. 908 (A) dated 13.04.2011 issued by MD</p> <p>Eligible Borrowers:</p> <ul style="list-style-type: none"> ❖ The unit shall be fully owned i.e., 100% by SC/ST entrepreneurs. The ownership /share holding of units even in part by other than Scheduled Caste / Schedules Tribes are not eligible for interest subsidy. But all partners / entrepreneurs either can be SCs/STs or both. ❖ The units which have availed the interest subsidy under any other scheme of GoK / Gol are not eligible for interest subsidy under this scheme. ❖ To be eligible for interest incentives under the scheme, the units should not be in default in payment to KSFC. <p>Purpose: In order to encourage SC/ST entrepreneurs to establish micro and small scale industrial / services / business units, the GoK vide GO No. SWD 76 SLP 2008, Bangalore, dated 22.05.2010 has extended the revised interest subsidy scheme on term loans to SC/ST entrepreneurs being sanctioned by KSFC.</p> |
| 7 | <p>Technology Up-gradation Fund Scheme Re-structured for Textile Industries (RTUFS)</p> <p>Reference: Circular No.896 dt.18.7.2011 issued by MD. Reference website: www.textindia.gov.in</p> <p>Eligible Borrowers: Activities as mentioned in the Ministry of Textile resolution No.6/5/2011: TUFs dt.28.4.2011.</p> |

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| 8 | <p>Assistance to Infrastructure :</p> <p>i) IT Software Parks Reference: circular No.711 dt.07-12-1998 Eligible Borrowers : All forms of constitutions Purpose: Financing of fixed assets for IT software parks</p> <p>ii) Assistance for the development / maintenance and construction of roads. Reference: circular No.326 dt. 05-03-91 & No.585 dt. 17-06-96 Eligible Borrowers: Any reputed civil contractors / firms / companies or any person having tie up with class-1 contractors / reputed construction companies. Purpose: For acquiring capital goods, equipment including road rollers, asphaltting units, concrete mixtures, tippers, excavators, surveying and other supporting equipment</p> <p>iii) Assistance to infrastructure for Education Institutions under construction activity scheme Reference: circular nos. 682 dtd. 05.06.1998/682/A dtd. 22.08.1998 No. 749 dtd. 12.11.1999 & No. 880, 880A dtd. 26.6.08 issued by ED(O) Eligible Borrowers: individual, firms, companies, co-operative societies. Purpose: Construction of building, interior decoration etc.</p> |
| 9 | <p>Assistance to Qualified Professionals:</p> <p>i) Management Professionals- ACA / ICWA / ACS / CFS/ MBA / M.Com Graduates</p> <p>ii) Accounting Professionals - ACA / AICWA / Certificate of practice issued by Commissioner of Income Tax / Sales Tax</p> <p>iii) Medical Professionals - Bachelor Degree in any branch of Medicine</p> <p>iv) Architects & Engineers - Bachelor Degree in any branch of Engineering</p> <p>v) Veterinary Clinic - Qualified Veterinary Doctor</p> <p>Reference: Circular Nos: 352 dtd.19.8.91 / 352-A dtd.10.9.91 / 404 dtd.16.9.1992 / 623 dtd.16.9.1997 / 651 dtd. 30.9.1997 & 658 dtd.23.10.1998</p> |

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| | <p>Purpose: For setting up of business enterprises, private practice and consultancy services in their line of expertise.</p> <p>Remarks:</p> <ul style="list-style-type: none"> • The Cost of Project should not exceed Rs.20.00 lakhs Partnership firm will be eligible if all the partners are qualified professionals and at least 50% of them have the requisite experience. • 5 years experience in relevant line. • Cost of Land and building should not exceed 50% of the project cost. Any relaxation shall have the prior approval of SIDBI • Vehicles are not permitted under this scheme. |
| 10 | <p>Scheme for Finance Existing Assets and Enterprises:</p> <p>Reference: Circular No.783 dated 23-03-2001</p> <p>Eligible Borrowers: Proprietary concern partnership firms, private & public limited companies, engaged in the respective activities eligible for assistance from the Corporation and in existence for minimum period of 2 years with good track record.</p> <p>Purpose:</p> <ul style="list-style-type: none"> • To assist for taking over of existing assets / enterprises • Plant and Machinery of reputed make with minimum residual life of 10 years as assessed by technical officer of the Corporation & supported by a certificate by Chartered Engineer • Land and Building : industrial / commercial properties located at prominent places within municipal limits with a minimum 20 years residual life. The building should be of good quality and assistance will be subject to certification by the officers of the Corporation. <p>Remarks:</p> <ul style="list-style-type: none"> • No lien certificate from banks /financial institutions • Minimum Loan Rs.10.00 lakhs • Sanctioning powers vested with MD/CMD. |

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| 11 | <p>Financial Assistance to Entertainment Industry including Films :</p> <p>Reference: Circular No. 836 dtd 10.09.2003 issued by ED(O)</p> <p>Eligible Borrowers: Proprietary concerns, Private & Public Limited Companies. Promoted by reputed persons with good technical/financial background & also with good network.</p> <p>Purpose: Construction / purchase of Cinema Halls, Multiplexes, Production of short TV serials, Software for Visual media publicity and feature films to be filmed in Karnataka.</p> |
| 12 | <p>Rental Discounting Scheme</p> <p>Reference: Circular No.706 dtd.15.01.2001issued by ED[O]</p> <p>Eligible Borrowers: Proprietary concerns, partnership firms, private / public limited companies, trust and co-operative societies are eligible for assistance under the scheme. Non-residential properties located within the city and municipal corporation limits of Bangalore, Mangalore, Hubli, Dharwad, Gulbarga, Shimoga, Bhadravathi, Mysore and Belgaum and earning an aggregate minimum gross rent of not less than Rs.25,000/- per month from eligible tenants of the premises are only eligible for the assistance. Properties located outside the Bangalore, however be considered depending upon the location of the property and infrastructural advantage enjoyed by them.</p> <p>The eligible tenants may be one or any of the following:</p> <ol style="list-style-type: none"> i. All India Financial Institutions ii. Nationalised and Private Sector Banks iii. Public and Private Sector Insurance Companies iv. Domestic and International Airlines v. Profit making public sector / private sector companies which are in existence for a minimum period of 5 years and earning profits for the last 2 years vi. Reputed multi national companies where the foreign holding is not less than 25% of the paid up capital. vii. Any subsidiary or associate company or concerns of the above institution. |

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| 13 | <p>Rehabilitation of Sick Industrial Units (RSR):</p> <p>Eligible Borrowers: Potentially viable MSME units excluding CRE sectors conforming to definition of sick MSME units as prescribed in RBI guidelines. The assistance is meant for sick units for which proper rehabilitation packages have been drawn up. Units eligible for rehabilitation assistance should be capable of being restored to normal health within a reasonable time.</p> <p>Purpose: For providing reliefs / concessions or extending assistance for rehabilitation of potentially viable sick units.</p> |
| 14 | <p>OTHERS:</p> <p>a) Financing of DG sets:</p> <p>Reference : Circular No.574 dt. 24.11.1995</p> <p>Eligible Borrowers: SMEs who want to supplement their power supply with a generator</p> <p>Purpose: Assistance is available for acquisition and installation.</p> <p>Remarks:</p> <ul style="list-style-type: none"> ❖ They have to obtain clearance from KPCTL / local authorities; ❖ Diesel generator projects may be established by a group of SMEs located in a closed proximity for collective use. <p>b) Mobile Generators:</p> <p>Reference: circular No.658 dt. 23-10-1997</p> <p>Eligible Borrowers: All forms of constitutions</p> <p>Purpose: Assistance for acquisition of generators for purpose of hiring vehicles, trailers, DG Sets & accessories can also be covered under the scheme.</p> <p>c) Office Automation:</p> <p>Reference: circular No.658 dt. 23-10-1997</p> <p>Eligible Borrowers: Existing firms & companies & proprietary concerns provided they have successful profit record of preceding 3 years</p> <p>Purpose : Assistance for automation of offices for acquiring items like PCs, printer, copier, fax machine, telephone etc.</p> <p>d) Training Institutions:</p> <p>Reference: circular No.658 dt. 23-10-1997</p> |

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| | <p>Eligible Borrowers: Existing companies with a successful track record.</p> <p>Purpose: Assistance to reputed companies for setting up in-house training facility for their exclusive training facility including construction of building, acquisition of furniture, equipment etc.,</p> |
| 15 | <p>Micro Finance Activity:</p> <p>Reference: Circular No. 890 dtd 21.7.2009 & 890(A), dtd. 1.12.2016 & ION dtd. 82/2012.</p> <p>Eligible Borrowers:</p> <ul style="list-style-type: none"> ❖ The Constitution of the MFI should be Registered Non-Banking Financial Company (NBFC). It should be in existence for at least five years and / or should have a demonstrated track record of running a successful micro-credit programme at least for the last 3 years ❖ The MFI should have been rated by mainstream rating agencies such as CRISIL / CARE / ICRA / M-CRIL etc. with acceptable investment grade rating. The rating should be valid. ❖ It should have been extended term loan by SIDBI. ❖ The MFI should have been making cash profits for at least last two years. ❖ The MFI should have only women members as its clientele. ❖ The MFI should have achieved minimum outreach of 3000 members. ❖ The MFI should have maintained a satisfactory and transparent accounting, MIS and internal audit system. ❖ The existing loan portfolio of the MFI should be a relatively low risk portfolio. ❖ The MFI should have its accounts audited by a Chartered Accountant firm. ❖ It should have a separate system of accounts and monitoring for its micro finance operations. ❖ The MFI should be showing consistent growth in its loan portfolio / members and network strength. ❖ It should have plans to broad-base its resource base further. ❖ It should possess competent and adequate staff for proper appraisal, intensive supervision and monitoring |

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| | <ul style="list-style-type: none"> ❖ The term loan extended by the Corporation should be utilised within Karnataka for non-farm activities. ❖ The total exposure from the corporation to an individual MFI not to exceed Rs.500 lakh at any point of time. ❖ RBI vide its notification no. DNBS.PD No. 234/CGM (US) -2011 dtd 02.12.2011 has issued directions relating to certain requirement to be complied with by NBFC-MFI to be engaged in Micro Finance Activity. These guidelines are issued vide ION No.82/2012. This shall be ensured. |
| 16 | <p>Scheme for Wine Manufacturing Industries:</p> <p>Reference: Circular No. 875 dtd: 29.08.09 issued by MD</p> <p>Eligible Borrowers: Sole Proprietor ships, Partnerships, Co-operative Societies, Private and Public Limited Companies etc.,</p> <p>Purpose: The overall objective of the scheme is to promote wine manufacturing units in MSME sector in the State of Karnataka by providing financial assistance and thereby helping the farmers to get better market / price for their products.</p> <p>Remarks: The unit should be located in the jurisdiction of Nandi / Krishna Valley proposed by the GOK.</p> |
| 17. | <p>Scheme for Wind Mill Power Projects .</p> <p>Reference: Circular No.912 dtd.07.07.2010 and 912(A) dtd.27.7.2010</p> <p>Eligible Borrowers:Proprietary concerns, Partnership firms, Private and Public Limited companies, who are already in business and running with net profit for the past three consecutive years.</p> <p>Purpose: Financial Assistance to Wind Mill Projects shall be extended under this scheme, where up to 75% of the cost of fixed assets is financed, subject to meeting DER / DSCR norms.</p> <p>Remarks: Technical endorsement for wind turbine generator (WTG) and site will be decided on the basis of guide lines issued by MNRE/KREDL. The selection of the machinery supplier is left to the discretion of the borrower, subject to the condition that the supplier should be reputed.</p> |

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| 18 | <p>Privileged Entrepreneurs Scheme:</p> <p>Reference: Circular Nos 784 dtd.26.02.2007 issued by MD, Circular No.784(A) dtd.10.04.07 issued by CMD, Circular No. 812 dtd 11.6.08, Circular No.816 dtd 22.7.08, ION:MD/ED(F) 816 / 2008-09 dtd 26.8.09, Circular No.829, dtd 27.8.08 issued by MD, Circular No.866, dtd 13.7.09 issued by MD</p> <p>Eligible Borrowers: kProprietary concern, partnership firm, private and public limited companies.</p> <p>Purpose: To meet short term funds requirements of the existing units which are in standard category.</p> <p>Remarks: The Borrowing unit should satisfy the following criteria:</p> <ul style="list-style-type: none"> a) The units should have availed loan of Rs.10 lakhs and more from KSFC in the past and should have a good track records for at least 3 years. b) The accounts should have been in standard category during the last three years. c) In respect of rescheduled cases and cases covered under DRS-RSR, the loan can be extended, if the account is regular and continues to be in standard category for the last three years. d) The unit should be working on profitable lines i.e. the units should have earned net profits at least during the last three years as evidenced by the audited financial statements. <p>Loan Limits: Minimum Rs. 5.00 lakhs; Maximum Rs.200.00 lakhs.</p> <p>Repayment of Loan: The loan shall be repaid in 24 months including moratorium period of 6 months.</p> <p>Security / Collateral Security : The loans shall be secured by 100% collateral security.</p> |
| 19 | <p>CORPORATE LOAN:</p> <p>Reference Circular Nos: 525 dt. 29-08-94, 709 dt. 07-12-98, 752 dt. 28-12-99 & 760 dt. 23-02-2000</p> <p>Eligible Borrowers: Existing units eligible for financial assistance from KSFC the SFCs Act</p> |

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| | <p>Purpose: To extend short term loan to the existing successful units who require urgent working capital funds either to meet the gap in the working capital requirements, funds required for executing the rush of orders, developing / expanding new markets, for meeting statutory dues to the Government like payment of Income Tax, Sales Tax, Excise Duty etc., and opening LC for purchase of new equipment till a term loan is sanctioned and released by the financial institution.</p> |
| 20 | <p>Corporate Loan for Construction & Real Estate [CRE] Activities:</p> <p>A) OBJECT : The Object of the scheme is to provide financial assistance to construction activity such as commercial complexes, residential apartment, group housing, residential layout etc. The loan will not be project specific, but will be based on the requirement for project in the pipeline.</p> <p>B) ELIGIBLE BORROWERS : An individual, partnership firm, private limited company or companies incorporated under Companies Act that have been in operation for at</p> |
| | <p>least five years and have a proven profit record for at least the previous three years, and should not be in default with commercial banks and financial institutions.</p> <p>C) EXTENT OF FINANCE :</p> <p>1.Upto Rs.200.00 lakhs in case of proprietary and partnership concerns and Rs.500.00 lakhs in case of private and public limited companies.</p> <p>2.The loan amount shall not exceed 20% of the average sale recorded in the previous three years.</p> <p>OR / AND</p> <p>3. Shall not exceed 20% of the estimated investments in the projects / orders on hand.</p> <p>D) SECURITY : The loan should be secured by 100% collateral security to the satisfaction of the Corporation.</p> <p>E) REPAYMENT PERIOD : Maximum repayment period is limited to five years including a moratorium of three years.</p> |
| 21 | <p>Scheme for Small Road Transport Operators (SRTOs):</p> <p>Reference: circular No.721 dt.11-03-1999 issued by ED[O]</p> <p>Eligible Borrowers: Small Road Transport Operators.</p> <p>Purpose: To meet expenditure towards cost of chassis, body building, initial taxes, insurance etc.</p> |

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| | <p>Remarks:</p> <p>a) Loan limit - need based (20 vehicles per operator including existing vehicles/ Secondhand vehicles are not eligible for assistance.</p> |
| 22 | <p>Acquisition of Private Vehicles:</p> <p>Reference: Circular No.754 dt.17-01-2000 issued by ED[O]) & No.708 dated 18-01-2001 issued by ED[F].</p> <p>Eligible Borrowers: Individuals , firms & companies. In respect of individuals, they should be IT assesses and paid a minimum of Rs.5,000/- income tax p.a. in the previous three years</p> <p>Purpose: To extend financial assistance for acquisition of vehicles like Cars, vans, omni buses, tractors etc.,</p> <p>Remarks : Maximum loan Rs15.00 lakhs</p> |
| 23 | <p>A.M.A.R.A.</p> <p>Reference : Circular No.683 dated 06-06-1998 issued by ED[O].</p> <p>Eligible Borrowers: Existing units (at least for 2 years) with a good tack record (no default to any financial institutions/ banks and classified as 'standard' by bank) sound financial position (positive networth & earned profits in last two years).</p> <p>Purpose: To provide financial assistance to small & medium scale units to undertake various activities necessary to increase their sales in the domestic & foreign markets and to create physical marketing infrastructures.</p> <p>Remarks:</p> <ul style="list-style-type: none"> • Minimum Rs.5.00 lakhs - Maximum Rs.50.00 lakhs |

ANNEXURE-III

Ref No. KSFC / H.O./MD/DGM(C)/C-805/2020-21

Date : 05.03.2020

CIRCULAR No. 1011

Sub : Modification to Interest Rate Structure

Ref : Previous Interest Rate Circular No. ED-I/999/dated : 09-01-2018

A note was placed before the Board on 26.06.2020. recommending modifications to the existing interest rate structure. After deliberations, the Board has approved the following :

1. The reduction in rate of interest from existing gross rate 14% p.a. (net of rebate 13.50% p.a.) to gross rate 12% p.a. (net to rebate 11.50% p.a.) is applicable to all term loans (including WCTL) to Micro, Small & Medium Enterprises (MSMEs). However, the Corporation reserves the right to revise the rate of interest depending on the general trend in lending rates.
2. In respect of all new loan sanctions for MSMEs (under category of borrowers/loans Sl.No. 1 of Annexure) covered under Interest subsidy Scheme for SC/ST Entrepreneurs, the interest rate applicable will be 11.5% p.a. net of prompt payment rebate of 0.5% p.a. However, the interest rate in respect of all other activities such as term loans to large scale industries, CRE sector, multiplex, will be as per the existing rate. The effective rate to the entrepreneurs after considering interest subsidy will be 4% p.a.
3. In respect of loans sanctioned under Interest Subsidy Scheme for Women Entrepreneurs, where the first disbursement is made on or after 01.08.2020, the interest rate will be 11.5% p.a. net of prompt payment rebate of 0.5 % The interest subsidy component will be 7.5% p.a. and effective rate for the borrower is 4% p.a.
4. In respect of all new loan sanctions for Micro & Small Enterprises under Interest Subvention Scheme, the rate of interest applicable will be 11.5% p.a. net of prompt payment rebate of 0.5% p.a. The interest subsidy component is reduced from existing 10% p.a. to 6% p.a. and the effective rate to the entrepreneurs will be 5.5% p.a. on prompt payment. Further, In respect of loans sanctioned before 31.07.2020 and where the first disbursement is made on or after 01.08.2020, the rate of interest will be 11.5% p.a. net of prompt payment rebate of 0.5% p.a. The subsidy component will be 6% p.a. and the effective rate for the borrower will be 5.5% p.a.

5. The revised rate of interest are applicable for all the cases where the first disbursement is made on or after 01.08.2020. Further, the loans sanctioned under interest subsidy/subvention Schemes, where first disbursement is made prior to 01.08.2020, shall carry the existing rate of interest and interest subsidy component shall remain unaltered.
6. In respect of all the loans sanctioned prior to 31.07.2020 and first disbursement is made on or after 01.08.2020. the Branches shall issue addendum to the loan sanction letter for revision in the interest rate and take the acceptance of the borrowers for the revised rate of interest and obtain modification Deed, if needed.

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

The Internal Audit Department during the course of Audit may verify all such cases and ensure that correct interest rates are charged.

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

Euroop Kumar
MANAGING DIRECTOR 4/8 .

Annexure to Circular No. 1011

Interest Rate Table (Term Loans) effective from 01.08.2020

| SI 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. | 12.00 | 11.50 |

| SI No | Category of borrowers / loans | Interest Rate (%) | |
|-------|---|-------------------|---------------|
| | | Gross Rate | Net of rebate |
| 1 | f. Assistance to Qualified Professionals: Management Professionals, Medical Professionals, Accounting Professionals, Architects & Engineers, Veterinary Clinics. g. DG Sets, Mobile Generators h. Godown/Waterhouse and Convention centers. i. Office Automation. j. Training Institutions. k. Industrial Estates, IT Software Parks. l. Financing of fixed assets under contractors scheme. m. Wind mill power generation projects n. Solar Power Generation projects. | 12.00 | 11.50 |
| 1A | Term loans to Large Scale Industries / Industries graduating from Medium Scale Industries. ** 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. | 14.50 | 14.00 |
| 2. | a. Construction/Buying Commercial Complexes, b. Construction activities like Residential Apartment, 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. | 14.50 | 14.00 |

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| | 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 |

NOTES TO THE INTEREST RATE STRUCTURE

A) REBATES AND CONCESSIONS :

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 rebatae.
- 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.
- 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.

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 887 date 17.12.2009 may also be noted.

b. Interest rate for Micro & Small Enterprises under Interest Subvention Scheme :

The State Government has revised interest subsidy component from existing 10% p.a. to 6% p.a. Consequent to this, with effect from 01.08.2020, the term loans to Micro & Small Enterprises under Interest Subsidy/Subvention Scheme of GoK will be sanctioned at the above applicable rate of 12.00% p.a. with prompt payment rebate of 0.5% p.a. (net of rebate 11.50%p.a.) The subsidy component will be 6% p.a. and the effective rate for the borrower will be 5.5% p.a. Further, the other detailed guidelines of the Scheme issued vide Circular No. 1005 dated 06.10.2018 shall remain unaltered.

c. Interest rate for Women Entrepreneurs :

In respect of loans sanctioned under Interest Subsidy Scheme for Women Entrepreneurs, where the first disbursement is made on or after 01.08.2020. The interest rate will be 12.00% p.a. with prompt payment rebate of 0.5% p.a. (Net of rebate 11.5% p.a.) The interest subsidy component will be 7.5% p.a. and effective rate for the borrower is 4% p.a.

The different between KSFC lending rate and effective rate of 4% to the borrower will be met through the interest subsidy by GoK as per guidelines of KSFC- Circular No. ED-I 920 dated 14-01-2016.

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.



**ANNEXURE – IV
INDUSTRYWISE EXPOSURE LIMIT**

| SI No. | INDUSTRY | Exposure Limit in % |
|---------------|-----------------------------------|----------------------------|
| 1 | CONSTRUCTION & REAL ESTATE SECTOR | 16 |
| 2 | BASIC METAL | 2 |
| 3 | BEVERAGE INDUSTRY | 2 |
| 4 | CHEMICALS & CHEMICAL PRODUCTS | 5 |
| 5 | COMPUTER & COMPUTER ACCESSORIES | 2 |
| 6 | CONSULTANCY SERVICE | 1 |
| 7 | CRUDE PETROLEUM & NATURAL GAS | 1 |
| 8 | ELECTRICAL | 2 |
| 9 | ELECTRICITY & GAS | 1 |
| 10 | ELECTRONIC EQUIPMENT | 2 |
| 11 | FISHING | 1 |
| 12 | FOOD MANUFACTURING INDUSTRY | 10 |
| 13 | FOOT WEAR & OTHERS | 2 |
| 14 | FURNITURE & FIXTURES | 2 |
| 15 | GENERATORS | 1 |

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| 16 | HEALTH | 5 |
| 17 | HEALTH SECTOR | 5 |
| 18 | HOSPITALITY SECTOR | 20 |
| 19 | LEATHER PRODUCTS | 1 |
| 20 | MACHINERY MANUFACTURING | 5 |
| 21 | METAL MINING | 1 |
| 22 | METAL PRODUCTS | 8 |
| 23 | MISC., MANUFACTURING | 3 |
| 24 | MOTION PICTURES / MULTIPLEX / CINIMA THEATRES | 1 |
| 25 | NON-METALLIC MINERAL PRODUCTS | 12 |
| 26 | OTHER INDUSTRIES | 2 |
| 27 | OTHER NON-METALLIC MINING | 1 |
| 28 | PAPER & PAPER PRODUCTS | 2 |
| 29 | PETROLEUM PRODUCTS | 1 |
| 30 | PLASTIC GOODS | 3 |
| 31 | PRINTING & PUBLISHING | 5 |
| 32 | PROFESSIONAL / TECHNICAL EDUCATIONAL INSTITUTIONS | 2 |
| 33 | RUBBER & RUBBER PRODUCTS | 3 |
| 34 | SERVICES & OTHR SECTORS | 12 |
| 35 | STONE / CLAY QUARRYING | 1 |
| 36 | TABACCO | 1 |
| 37 | TEXTILES AND READY MADE GARMENT | 5 |
| 38 | TRANSPORT EQUIPMENT | 2 |
| 39 | TRANSPORT INDUSTRY | 2 |
| 40 | WOOD & CORK | 2 |

