

**KERALA STATE INDUSTRIAL  
DEVELOPMENT CORPORATION LTD**

**Loan / Credit Policy**

**December 2023**

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Kerala State Industrial Development Corporation (KSIDC) (hereinafter called the "Corporation") is the premier agency of the Government of Kerala, mandated for industrial and investment promotion in Kerala. Formed in 1961, KSIDC's primary objective is to promote, facilitate and finance large and medium scale industries and catalyse the development of physical and social infrastructure required for industrial growth in the State.

Over the years KSIDC has metamorphed into a one stop-shop for any investment in Kerala and the single point contact for investors setting up shop in the State. KSIDC offers a comprehensive set of services encompassing support in developing business ideas and viable projects, assistance in conducting feasibility studies, providing various financial products tailor-made for different types of investments, handholding and facilitation from project conceptualization to commissioning, providing developed Infrastructure facilities and guidance for implementation.

KSIDC has over 5 decades of proven track record of attracting a commendable volume of investment to the State. The Corporation has so far promoted more than 750 projects in the State and has played a vital role in the setting up of pioneering organizations.

## **1. OBJECTIVES:**

The primary objectives of the Loan / credit policy of the KSIDC are as under: -

- i) To be the Investment Promotion Agency of the Government of Kerala subserving the policy objectives of the Government of Kerala
- ii) To remain one of the prime institutions in providing finance/loans to industry and to ensure that the loan assets remain healthy/performing.
- iii) To ensure profitable deployment of resources with proper asset-liability matching and recycling of funds.
- iv) To ensure balanced exposure in different segments of tourism, infrastructure, manufacturing, real-estate, services projects and NBFCs/HFCs as per prevailing and/or emerging growth trends in the respective industry/sector.
- v) To make further inroads in infrastructure, industry/manufacturing, real estate & services sectors funding and develop/strengthen the in-house system for appraisal and funding of these projects.
- vi) To create more employment in Kerala using the talent pool.
- vii) To subserve all the above objectives while ensuring compliance to the regulatory norms of the regulator, RBI.

## **2. PRUDENTIAL NORMS:**

2.1 KSIDC has been categorized as "Systemically Important Non-Deposit taking NBFC (NBFC-ND-SI)" by RBI. KSIDC's exposure to different business segments i.e. for Individual

borrower and group borrower are primarily guided by exposure norms prescribed for NBFC-ND-SI by RBI. The Framework for Scale Based Regulation issued in October 2021, has merged the credit concentration limits into a single exposure limit of 25% for single borrower and 40% single group of borrowers. In line with aforesaid RBI guidelines, the maximum exposure based on the Tier -1 Capital would be as follows:

<b>Particulars</b>	<b>Single Borrower</b>	<b>Group Borrower</b>
Concentration of credit/ investment	25% of Tier 1 Capital	40% of Tier 1 Capital

KSIDC shall work within the exposure ceiling fixed as above in respect of single borrower as well as group, while considering the proposal(s) for financial assistance.

2.2 The RBI has issued detailed guidelines on ‘Connected Lending’ encompassing credit facilities, loan and advances to the Directors, relatives of the Directors, their related entities and to the Directors of other FIs, banks and their relatives, officers of the FIs and their relatives as well as non-funded facilities on behalf of the Directors. KSIDC shall strictly adhere to the guidelines pertaining to ‘Connected Lending’ as issued by RBI, from time-to-time, with regard to sanction or remission of facilities.

2.3 KSIDC shall not lend to the following categories of borrowers:

- a) Borrowers or their associates appearing in the defaulters’ list/caution list/blacklist circulated by RBI/ Credit Information Companies such as CIBIL/ other banks/institutions/ Government of India from time to time.
- b) Borrowers classified as NPAs by banks/institutions.
- c) Borrowers/guarantors who have defrauded and/or have not fulfilled their commitment to KSIDC, banks and institutions.
- d) Borrowers whose credit rating by external rating agencies is below ‘BBB’, if the loan exposure of the entity exceeds Rs.25 Cr, excluding working capital loan. However, external rating is not mandatory for loans considered under CM special assistance scheme.
- e) Deviations if any shall be placed before the Competent Authority for consideration.

2.4 Loans shall be disbursed only against fully completed and properly signed loan applications which will be pre-printed in English. Separate disbursement request must be obtained for each disbursement. Loan application forms and documentation requirements should comply with the Fair Practice Code and KYC and AML Policy of the Corporation.

## **2.5 Reporting to CICs:**

KSIDC shall ensure submission and updation of credit information for its borrowers regularly to all the Credit Information Companies (CICs) on a monthly basis or at shorter intervals as specified by RBI.

## **2.6 Other Directions**

1. The Corporation shall not grant unsecured loans in the normal course of business. Unsecured loans, if granted, shall be subject to proper and acceptable credit appraisal procedures and within the overall limits laid down by regulatory guidelines if any and the Loan Policy of the Corporation.
2. Terms and conditions of loans should be in compliance with the Fair Practices Code of the Corporation.
3. Loans to persons of doubtful integrity (to the extent known), customers engaging in illegal/ unlawful business (to the extent known) etc. shall not be entertained even if the quality of the security offered is beyond doubt.
4. The maximum credit exposure per customer shall be within prudential limits.

## **2.7 Periodic Updation:**

The Loan Policy shall be reviewed annually or as and when required.

## **3. TYPES OF FINANCIAL ASSISTANCE:**

KSIDC shall provide financial assistance to all forms of entities i.e., proprietorship, partnership, One Person Company, LLP, Private/Public Limited Companies, Corporates, Societies & Trusts.

Societies/trusts, entities registered under 12A of Income Tax Act/non-profit organizations shall not be eligible for financial assistance.

KSIDC shall provide all forms of financial assistance for new, expansion, diversification, renovation/modernization projects in tourism sector, infrastructure sector, industrial/manufacturing sector, real-estate sector, services sector and related activities, facilities and services, in the following Schemes/forms:

- CM Special Assistance Scheme
- Term Loan
- Equipment Loan
- Corporate Loan
- Working capital term loan
- Bill Discounting
- KSIDC Privilege Card (KPC)
- Caravan Support Scheme of KSIDC

- Short Term Loan for execution of work in connection with Government contracts

Financial assistance granted through State Plan funds like Seed Fund, Scale Up, We Mission and any other schemes shall be governed by the government guidelines and Administrative Sanctions issued from time to time.

#### **4. AREAS FOR FINANCIAL ASSISTANCE:**

Government of Kerala has identified certain key sunrise sectors for development in the State. These sunrise sectors would be offered comprehensive support in the form of infrastructure development, technology and innovation, institutional streamlining, market development and exports facilitation, research and development, skill development and incentives. The identified sectors are

1. Artificial Intelligence
2. Ayurveda
3. Biotechnology & Life Sciences
4. Design
5. ESDM
6. Electric Vehicles
7. Engineering R&D
8. Food-Tech
9. Graphene
10. Hi-Tech Farming
11. High Value-Added Rubber Products
12. Logistics
13. Maritime Cluster
14. Medical Equipment
15. Nano Technology
16. Renewable Energy
17. Retail
18. Robotics
19. Space sector
20. Tourism & Hospitality
21. 3D Printing

Presently KSIDC’s main areas for financial assistance are Manufacturing, Food processing & Agro based industry, Logistics, Biotechnology, Life sciences-based ventures, Electronic Hardware, Footwear & allied Industry, Tourism, Health care, Ayurveda products and services, Infrastructure Projects, Petrochemical downstream projects, Green Industry, Gas based industry, Marine manufacturing cluster / Ship building etc.

*In addition, Start Ups in all sectors shall be considered under the Seed Fund and Startup Schemes being implemented based on Government guidelines / Administrative Standards issued from time to time.*

## **5. NORMS FOR FINANCIAL ASSISTANCE**

KSIDC shall normally consider financial assistance to new projects with capital cost above Rs.200 Lakhs in manufacturing, while for Tourism, Hospital and Infrastructure projects, the minimum cost shall be Rs.300 lakhs.

*The Maximum amount of loans for a project shall be limited to Rs. 60 Cr*

*As a risk mitigating measure, external credit rating shall be insisted upon, with minimum BBB and above rating, when the total loan exposure of the entity is above Rs.25 crore, excluding Working Capital Loan. For projects with smaller loans internal rating shall be done by KSIDC and only those with 45% marks or above shall be extended loans.*

However, financial assistance granted under CM Special Assistance schemes to SMEs, NRKs etc shall be as per the Scheme guidelines approved.

### **5.1. Type and quantum of financial assistance considered with proposed revised terms**

<b>1</b>	<p><b>CM Special Assistance Scheme loans</b></p> <ul style="list-style-type: none"> <li>● Loan amount: -Rs.100 lakhs to Rs.500 lakhs to MSMEs/Startups/NRKs for asset creation and working capital requirements;</li> <li>● Repayment period of loan shall be 5 years after 1 year moratorium</li> <li>● Loan shall be provided up to 80% of project cost</li> <li>● Minimum promoter’s contribution prior to disbursement shall be 50% of total promoter’s contribution.</li> <li>● Interest rate shall be the lowest interest rate in the prevailing band and 0.5% rebate offered on prompt repayment. Interest subvention of 3% is offered from Government provided through Plan funds allocated to KSIDC under this Scheme.</li> <li>● In the case of borrower is a Company or LLP or Partnership, the age of major shareholders/ partners who are holding minimum 51% shares/partners’ capital in the proposed promoter’s contribution shall be below 60 years.</li> <li>● Security for the loan shall be exclusive / pari-passu charge over the assets of the unit financed and/or collateral security to cover 100% of loan amount.</li> </ul>
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	<ul style="list-style-type: none"> <li>Shareholders/Partners having control not less than 51% share/capital shall provide Personal guarantee without minimum net worth criteria of guarantors.</li> <li>CIBIL score of loan guarantors shall be 650 and above. Cases with loan guarantors having insufficient credit history (-1 or a score between 101 to 200) shall also be considered.</li> <li>The minimum DSCR shall be 1.80</li> <li>Other important aspects in the Loan Credit Policy as per sub clauses 3, 4, 13, 14, 15 &amp; 18 under Clause 5.2 shall be applicable.</li> <li>Other criteria applicable for general loan schemes shall not be applicable under this Scheme.</li> <li>Processing Fee shall be Rs. 1 lakh +GST and Upfront Fees shall be 0.75% of loan amount +GST.</li> </ul>
2	<p><b><u>Term Loan</u></b></p> <ul style="list-style-type: none"> <li>Minimum loan amount: <b>Rs.100 Lakhs.</b></li> <li>Maximum loan amount shall be <b>Rs.6000 Lakhs.</b></li> <li>Loans above Rs.6000 lakhs will be on a Consortium / Multiple Banking Arrangements limiting the <b>debt component of KSIDC to 50% of the total debt</b> and with the overall DE ratio limited to 2:1</li> <li>Promoter directors/Shareholders shall provide Personal guarantee as per para 5.2-11</li> <li>Security for the loan: As per Para 5.2-12</li> </ul>
3	<p><b><u>Equipment Purchase loan</u></b></p> <ul style="list-style-type: none"> <li>Loan is proposed to be provided to the existing and new clients of KSIDC with good track record for purchase of Plant &amp; Machinery / Utilities / Equipment.</li> <li>Minimum loan amount shall be <b>Rs.200 Lakhs</b></li> <li>Maximum loan amount considered is <b>Rs.2000 Lakhs</b></li> <li>Promoter's margin required is minimum 22.50% of acquisition cost.</li> <li>Promoter Directors/Shareholders shall provide Personal guarantee as per para 5.2-11</li> <li>Moratorium shall be 6 months from the date of first disbursement.</li> <li>Repayment period shall be 5 to 8 years</li> <li>Security shall be as per clause 5.2-12</li> </ul>
4	<p><b><u>Corporate Loan</u></b></p> <ul style="list-style-type: none"> <li>This facility is provided to companies registered under Companies Act with good track record.</li> </ul>



	<ul style="list-style-type: none"> <li>• The purpose of the loan shall be to meet any long-term fund requirement of established companies for acquisition of assets / shares or / and expansion / modernization / diversification /WC purpose</li> <li>• The loan can be availed even without any promoter contribution.</li> <li>• The client can avail the loan in lump sum based on the requirement for outright purchase for expansion, diversification and modernization.</li> <li>• Sanction of loan is purely based on strength of balance sheet &amp; profitability and volume &amp; prospects of the existing business.</li> <li>• The cash flow from current business should be sufficient for servicing the corporate loan.</li> <li>• If the purpose is for acquisition of existing operating units, cash flow from current business as well as of the current cash flow of the unit proposed to be acquired shall be sufficient for servicing the corporate loan.</li> <li>• Minimum loan amount shall be <b>Rs.200 Lakhs</b></li> <li>• Maximum loan amount shall be <b>Rs.4000 Lakhs.</b></li> <li>• Credit concentration exposure norms shall be applicable.</li> <li>• Promoter directors/Shareholders shall provide Personal guarantee as per para 5.2-11</li> <li>• The moratorium period shall be 6-12 months</li> <li>• Repayment tenure shall be 5-8 years</li> <li>• Overall, DER excluding working capital facilities shall be as per the general DE ratio criteria.</li> <li>• Security for the loan: as per clause 5.2-12</li> </ul>
5	<p><b><u>Working Capital Term Loan</u></b></p> <ul style="list-style-type: none"> <li>• Working Capital Term Loan is provided for past, existing and new clients with good track record.</li> <li>• Minimum loan amount shall be <b>Rs.200 Lakhs</b></li> <li>• Maximum loan amount shall be <b>Rs.2500 Lakhs</b></li> <li>• Promoters shall provide Personal guarantee as per para 5.2-11</li> <li>• Repayment period: 5-8 years</li> <li>• Overall, DER, including bank finance (excluding those for which the charge is limited to current assets) and the working capital term loan shall be as per the general DE ratio criteria.</li> <li>• Security for the loan: as per clause 5.2-12</li> </ul>
6	<p><b><u>Bill Discounting</u></b> <u>Applicability</u></p>

For entities who have bills pending with Government Departments / Agencies wherein the payment is due.

- arising out of genuine trade transactions made by entities with PSUs & State / Central Government Department / Undertakings
- arising out of the contract works being executed with PSUs & State / Central Government Department / Undertakings for executing civil, mechanical & other engineering works / purchase (like PWD, KWA, LSGD. KSIDC etc.)

Eligibility

- Corporate entity or partnership firm with minimum 3 years' experience related to civil, mechanical & engineering works and other business (excluding trading), duly supported by a certificate from authorised agencies such as PWD, KWA etc:
- Class A or B Registration from PWD / KWA etc: for the contractors
- Tax Assessee under IT / GST Act for the last 3-5 years, filing the returns regularly.
- Net profit as per Audited accounts or certified by a practicing Chartered Accountant, in the last 2 years.
- Satisfactory track record with existing banks / Financial institutions

Bill Discounting Limit

The loan shall not exceed 80% of the value of contract / purchase limited to Rs.500.00Lakhs at a time. The maximum credit period of each bill discounted will be one year or the maturity date of the bill whichever is earlier and the minimum credit shall be Rs.200.00Lakhs.

Drawing Limit

100% of the bill amount payable to the supplier / contractors after deducting all statutory deductions including retentions, if any. The interest payable for the credit shall also be deducted from the amount.

Processing Fee (non-refundable)

Processing Fee shall be collected in advance on receipt of application and will be non-refundable. The processing fee shall be Rs.1 lakh + GST, as applicable for term loan.

Upfront Fee

As applicable for general loan credit policy

Rate of Interest

	<p>Highest in the interest band of KSIDC. Other terms as per the Interest Rate policy shall be applicable.</p> <p><u>Security</u></p> <p>The loan will be secured by the personal guarantee of Partners / Shareholders/Directors. The Borrower shall execute necessary Agreement with KSIDC for availing the facility.</p> <p>Certificate from the Statutory Auditors of the Client / Entity as to the compliance of all statutory provisions applicable to the entity and no outstanding statutory dues shall be obtained.</p> <p><u>Repayment Mechanism</u></p> <p>In the case of State Government / State Departments the firm shall arrange Promissory note from Dept. of Finance, Govt. of Kerala, for ensuring repayment by way of direct payment from Govt. Treasury to KSIDC.</p> <p>In respect of other cases, irrecoverable Power of Attorney (POA) executed by the Borrower in favour of KSIDC to receive the bill amount directly from the work issuing Department / Government Undertaking <b>duly acknowledged by the payer</b>.</p> <p>In the absence of POA, Tripartite agreement between company / firm, Purchaser and KSIDC for ensuring repayment of loans, by issuing necessary authorization to the Treasury for direct payment to KSIDC.</p> <p>If the payment is not settled within a maximum period of one year from the date of availing, the borrower shall make the payment directly to settle the loan.</p> <p><u>Validity of Sanction</u></p> <p>The sanction will be valid for a period of 1 year from the date of sanction letter.</p>
7	<p><b>KSIDC Privilege Card (KPC)</b></p> <ul style="list-style-type: none"> <li>• Applicable for the Units who have completed three years of association with the Corporation.</li> <li>• All their accounts are in standard category</li> <li>• Unit is in commercial operation and functioning well.</li> <li>• Has submitted the latest audited/provisional balance sheet.</li> <li>• Balance sheet analysis for the last three FYs should result in the following; <ul style="list-style-type: none"> <li>○ Positive net worth</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Net profit</li> <li>○ No statutory dues pending</li> <li>● Good repayment track record with KSIDC</li> <li>● New loan amounting to 50% of the existing loan outstanding, without any appraisal, but subject to ensuring security margin and normal documentation.</li> <li>● MD Shall have power to sanction &amp; disburse loans under this scheme</li> <li>● Interest (floating) at the lowest term loan rate existing at that point of time.</li> <li>● No processing fees.</li> </ul>
8	<p><b><u>Caravan Support Scheme of KSIDC</u></b></p> <p><b><u>Norms for project finance of Caravan and Caravan Parks:</u></b></p> <ul style="list-style-type: none"> <li>● The scheme shall be termed as Caravan Support Scheme of KSIDC</li> <li>● Finance will be extended to only new vehicles. Second hand and refurbished vehicles are not eligible for finance under the scheme.</li> <li>● Considering that the cost of caravan ranges from Rs.50 lakhs to Rs.1 Crore, the minimum loan is fixed at Rs.25lakhs and the maximum loan at Rs.1 Crores per caravan (total caravan loan shall be limited to Rs.5 Crore per enterprise)</li> <li>● Maximum finance from KSIDC per caravan will be limited to 70% of the cost of caravan, Promoters shall bring in the balance 30%</li> <li>● Target group shall be an MSME unit in Kerala.</li> <li>● Interest rate – As the usual credit rating pattern for TL cannot be made applicable effectively for these proposals, the lowest rate in the interest band shall be made applicable, with 0.5% interest rebate for prompt repayment.</li> <li>● Processing fee and upfront fee shall be as prevailing for the regular term loan. Processing fee may be reduced to Rs.25,000/- plus GST for a period of 1 year from 1.4.2022</li> <li>● Repayment period – In 84 monthly instalments</li> <li>● Moratorium - 12 months, extendable by another 6 months, from the date of first disbursement.</li> <li>● In the case of existing clients, for considering loan under this scheme, they shall have good repayment track record with KSIDC, and also be a standard asset. Regarding new clients, there shall be no overdues to financial institutions / banks, the asset shall be standard, and the CIBIL score of all the promoters / directors / partners shall be 650 or more. For the first time entrepreneurs wherever credit history is not available, the requirement of CIBIL score may be exempted.</li> </ul>

- Overall DER of the enterprise, including this caravan loan proposed shall not exceed 1.5:1. However, if more than one caravan is required, DE ratio up to 2:1 may be considered with collateral for funding the excess amount.
- Financial indices (DSCR & IRR) – Same as per term loan (consolidated for the enterprise)
- The disposal of bio – waste, passenger security aspects shall be ensured before sanctioning any proposals.
- Police character certificates shall be obtained for staff involved.
- Where these caravan parks are established in environmentally sensitive / heritage sites, renewable sources of energy shall be relied upon as far as possible for fuel and lights.
- Tourism Department shall lay down in detail the process of booking caravan camp sites, including whether the rates shall be fixed by GOK for the operations, and whether the rooms available can be rented out to tourists other than caravan tourists.
- Only one caravan park per location shall be considered and one park per promoter shall be considered.

**Security for the loan**

- i) Hypothecation of the caravans-in case where multiple vehicles are financed. Collateral security to cover 100% of loan shall be obtained. This shall be made applicable for a period of 1 year from 01.07.2022 or till caravan loans reach Rs.25 Crores, whichever is earlier.
- ii) For caravan parks-140% security. Furthermore, in view of the ESZ regulations, it should be ensured that the caravan park being financed does not fall under the notified ESZ.
- iii) In case of finance of caravan parks, security margin of 25% as per lending norms, by way of exclusive mortgage of caravan parks or by any other collateral security.
- iv) Personal Guarantee of promoters / directors / partners holding minimum 51% shareholding. Corporate guarantee also to be considered in suitable cases.
- v) For setting up caravan parks, value of land shall be considered for security only if owned by the company/promoters (i.e., as per term lending norms for valuation of collateral security (value of land shall not be considered for security purposes in the case of land taken on lease from others/Govt agencies).
- vi) In cases, where the disbursement is to be done for the cost of chassis, body interiors etc: separately, depending on the need, preferably disbursements to be made to suppliers directly, and also in instalments.

	<p>vii) Financial assistance /grant from state Govt if any, have to be routed through KSIDC, and shall be adjusted against the financial assistance provided by KSIDC. Department of Tourism to take steps in this regard.</p>
<p>9</p>	<p><b><u>Short Term Loan to Contractors for execution of work in connection with Government and PSU contracts</u></b></p> <p><b>Objective</b></p> <ul style="list-style-type: none"> <li>• To provide financial assistance by way of working capital term loan to eligible, established and creditworthy applicants in the State for execution of various works in connection with Government assigned contracts in the State; and;</li> <li>• To build a strong lending portfolio for the Corporation by funding creditworthy applicants thereby generating a sustainable business model.</li> </ul> <p><b>Applicability</b></p> <ul style="list-style-type: none"> <li>• The policy is applicable for financing established and creditworthy applicants in the State with good track record for undertaking works awarded by Government Departments / Agencies and credit-worthy PSUs / Autonomous bodies in the State; and;</li> <li>• The policy is applicable for contracts which have been issued by Government Departments / Agencies and credit-worthy PSUs / Autonomous bodies for executing original works in civil, mechanical and other engineering fields.</li> </ul> <p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>• The applicant must be a Company, LLP, Proprietorship concern or Partnership Firm with minimum 3 years' experience related to undertaking civil, mechanical and engineering related contract works with Government Departments / Agencies / PSUs / Autonomous bodies;</li> <li>• The applicant must have successfully executed works related to civil, mechanical and engineering contract works with Government Departments / Agencies / PSUs undertaking / Autonomous bodies to the tune of at least Rs. 20 Crores during the past three years;</li> <li>• The applicant must be a Class A or B registered contractor under State /Central Government Departments / Agencies / PSUs / Autonomous bodies having a valid contractor ID issued thereon by PWD / Water Authority or other Government Departments and Agencies;</li> <li>• The applicant must be creditworthy and the same may be ensured by way of solvency certificate from existing Banker, as also stating to have a satisfactory track record of transactions / dealings;</li> <li>• The applicant must submit a certificate from existing Banker regarding the prevailing accounts being classified as 'Standard' category at the time of submission of financial assistance request;</li> </ul>

- The applicant must have no pending litigation with the contract awarding entity whatsoever and submit a notarized affidavit to this effect at the time of documentation;
- The applicant must not have been blacklisted by the Government or any Government Departments / Agencies / PSUs / Autonomous bodies in the past or faced any penal charges from the State / State agencies w.r.t execution of contracts, other than charges if any invoked by way of liquidated damages for delay in timely work execution and submit a notarized affidavit to this effect at the time of documentation;
- The applicant must be an Income Tax Assessee and an assessee under the GST Act and must submit copy of the latest GST return;
- The CIBIL score of the Promoter / Directors / Partners of the applicant shall be a minimum of 650 mandatorily;
- The CMR score of the borrower shall be CMR 1, CMR 2 or CMR 3.
- The net worth of the applicant shall be positive as per the audited / CA certified financial statements; and;
- The applicant must have had net profit for the immediately preceding three years as per the audited accounts (considering the Covid 19 pandemic, exception shall be granted )

#### **Quantum of Loan**

- Finance of 60% of the cost of work awarded (excluding the cost of materials supplied or advance paid by the work issuing authority) limited to a minimum of Rs. 1 crore; and;
- The maximum exposure per applicant shall be as per the lending norms of the Corporation for the normal term loan.

#### **Disbursement**

- An amount equivalent to maximum of 25% of the loan amount shall be disbursed as advance, based on the request of the applicant;
- The balance amounts shall be disbursed to the applicant in stages, after verifying the utilization of each of the previous instalments and progress of work based on site inspection and on submission of documents certified by chartered engineer and chartered accountant (including photographs of works undertaken / progress of works) and certificate regarding development of physical works; and
- The applicant shall submit utilization certificate certified by Chartered Engineer and the same has to be counter checked by KSIDC from time to time.;

#### **Processing Fee**

- The processing fee shall be Rs. 1,00,000/- (Rupees One lakh only) plus GST, which shall be collected in advance along with receipt of application and will be non-refundable.

#### **Upfront Fee**

- As per the rate applicable to general term loans

#### **Repayment period**

- The maximum repayment period shall be restricted to three years; and;
- The repayment schedule shall be synchronized with the duration of work awarded and expected receipt of funds from the work awarding Government Departments / Agencies / PSUs Undertaking / Autonomous bodies and in case the payment is received earlier, the repayment to KSIDC has to be made immediately.

#### **Rate of Interest**

- The rate of interest shall be fixed at the mid band interest rate and other terms shall be as per the Interest Rate Policy;
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#### **Validity of Sanction**

- As per Clause 9 of this policy.

#### **Security**

- The applicant shall provide security covering 133% of the sanctioned loan amount by way of unencumbered collateral security, irrevocable Bank Guarantee and fixed deposit in scheduled banks as deemed necessary.
- The applicant shall provide Power of Attorney in favour of KSIDC **duly acknowledged** by the work awarding Government Departments / Agencies / PSUs / Autonomous bodies for the work;
- Personal Guarantee of all the Promoter / Partners / Directors;
- Certificate from Statutory Auditors of the applicant as to time bound fulfilment of statutory compliance and payment of statutory fee;
- For prompt repayment of the loan, an Escrow agreement shall be entered into between KSIDC, applicant and a bank (preferred by the applicant) for crediting the proceeds directly from the work awarding. Government Departments / Agencies / PSUs / Autonomous bodies shall be instructed to credit the proceeds to the specified account and to transfer the amount to KSIDC required for repayment of loan and payment of interest, from time to time, by way of standing instructions; and;
- Any other security as deemed necessary by the respective appraising officer with due approval of the sanctioning authority.

#### **Additional Documents to be collected (in addition to any mentioned above)**



- Valid contractor ID of a Class A or B registered contractor under State / Central Government Departments and is issued thereon by PWD / Water Authority or other Government Departments and Agencies;
- Administrative Sanction for undertaking the work awarding Government Departments /Agencies / PSUs / Autonomous bodies wherever applicable;
- Administrative Sanction for undertaking the works received from Government by the work awarding Government Departments / Agencies / PSUs / Autonomous bodies wherever applicable;
- Work order issued by the work awarding Government Departments / Agencies / PSUs / Autonomous bodies containing the approved timeline of completion & schedule of payment;
- Treasury deposit / Security Deposit details;
- Personal Guarantee and net worth details as certified by a Chartered Accountant;
- Copy of Bank Guarantee submitted to the work awarding Government Departments / Agencies / PSUs / Autonomous bodies;
- Power of Attorney registered with the work awarding Government Departments / Agencies / PSUs Undertaking / Autonomous bodies;
- Pre-sanction affidavit as per the existing lending norms;
- Memorandum of Association & Articles of Association in case of Company / Partnership Deed in case of Partnership Firm;
- Escrow Agreement;
- Application Form;
- PAN Card of Promoters / Shareholders / Directors / Partners and Company
- IT Return (applicable for IT Assessee)
- Udyam Registration and GSTN
- Audited / CA certified financial statements for immediately preceding three years
- Document regarding Company / Firm / Entity incorporation
- Solvency certificate and satisfactory bank reference from existing Bankers of the applicant, as also stating to have a satisfactory track record of transactions / dealings;
- Certificate from existing Banker regarding the prevailing accounts being classified as 'Standard' category on last reporting day; and;
- Other letters of communication to and from the work awarding Government Departments / Agencies / PSUs / Autonomous bodies and the applicant.

**Procedure for processing the applications;**

- Once the applicant submits the request for financial assistance, the appraising officer concerned shall verify the eligibility as specified above, the documents as specified above, the documents from the bank and other aspects as deemed necessary;

	<ul style="list-style-type: none"> <li>• On compliance of all the terms and conditions of this policy by the applicant, a letter has to be issued to the work awarding Government Departments / Agencies / PSUs / Autonomous bodies seeking confirmation of the work awarded to the applicant;</li> <li>• The acknowledgment of the Power of Attorney from the work awarding Government Departments / Agencies / PSUs / Autonomous bodies along with the original or attested copy of the registered Power of Attorney shall be retained with KSIDC.</li> <li>• Utilization certificates submitted by the applicant prior to each disbursement (other than the initial disbursement) shall be verified by KSIDC in consultation with the work awarding Government Departments / Agencies / PSUs / Autonomous bodies;</li> <li>• The Corporation shall have the right to reject / not consider any proposal based on due diligence being undertaken from time to time;</li> <li>• On compliance of all the aspects as specified in this policy, the request for financial approvals shall be put up either to the Committee for recommending project proposal cases up to Rs.500 Lakhs to Managing Director as per the delegation powers or to Committee for preliminary evaluation of project proposals above Rs.500 Lakhs to the EC / Board; in case-to-case basis and;</li> <li>• Once recommended by the Internal Committee, the proposal shall be submitted to Managing Director / EC / Board (along with the comments of the Internal Committee) seeking final approval and issue of sanction letter thereon.</li> </ul>
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## 5.2. Other Important Aspects:

### 1. Classification of Thrust & Non-Thrust Sectors (For deciding Debt Equity Ratio)

Manufacturing, Tourism & Health care sectors shall be considered as Thrust sectors and remaining as General Sectors.

### 2. Promoter Contribution and Debt Equity Ratio (DE Ratio) & Collateral Security

*Debt Equity Ratio for the purpose of appraisal shall be considered in the following manner:*

- *Equity shall include Capital, Unsecured Loan (as per clause 5.23 of this policy, Grants to the extent receivable during project implementation period.*
- *For new units, debt shall include only the loan proposed to be assisted by KSIDC*
- *For existing units, total long- term debt from Banks / FI, excluding bank finance for working capital purpose and separate vehicle finance availed by the unit shall be considered as debt portion*

#### 1. New Unit – General Sectors

- DE ratio of up to 1.5:1 subject to security margin as per clause 5.2-12

2. *New Unit - Thrust sectors*

- DE ratio up to 2:1 subject to security margin as per clause 5.2-12

3. *Existing units assisted / not assisted by KSIDC with good track record*

- Overall DE ratio up to 2:1 subject to security margin as per clause 5.2-12

**3. Unsecured loan as part of promoter's contribution**

- In the case of Companies/ Partnership/ LLPs, 2/3<sup>rd</sup> of promoter's contribution shall be allowed to be brought in as unsecured loan.
- Unsecured loan brought in by the promoters shall not carry interest and shall not be withdrawn during the pendency of the loan tenure. An undertaking to this effect shall be executed.

**4. Internal Accruals as part of promoter's contribution**

- In the case of Companies/ Partnership/ LLPs, internal accruals if available with the company can be utilized for meeting promoter's contribution.
- Any shortfall in internal accruals shall be met through equity / unsecured loan.

**5. Interest Rates (Floating rate)**

- a. Interest rate of KSIDC shall be fixed based on the interest rate policy of the Corporation

Sl No.	Type of Loan	Interest Band
1	CM Assistance Scheme	Lowest interest rate as per Interest rate policy Minus interest subvention available from Government (presently 3%)
2	Term Loan	As per interest rate policy
3	Equipment Loan	As per interest rate policy
4	Corporate Loan	As per interest rate policy
5	Working capital term loan	As per interest rate policy
6	KSIDC Privilege Card (KPC)	Lowest term loan rate as per interest rate policy
7	Bill Discounting	Highest term loan rate as per interest rate policy
8	Caravan Support Scheme of KSIDC	Lowest term loan rate as per interest rate policy

9	Short Term Loan to Contractors for execution of work in connection with Government contracts	Mid-term loan rate as per interest rate policy
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- b. Penal charges and Rebate shall be as per the Interest Rate policy.
- c. **Review of interest rate:** There shall be an option for the loanee to review the interest rate every year based on his performance as brought out in the audited annual financial statements. If the loanee requests for review of rate of interest, the same shall be allowed after 1 year from the date of commercial operation for new projects or one year from the date of first disbursement for existing units. The review shall be carried out based on internal credit rating after obtaining the relevant details such as audited balance sheet, net worth statement certified by a Chartered Accountant, projected profitability statements and cash flow.

#### 6. Moratorium for principal repayment

- a. Maximum moratorium is three years from the date of first disbursement of loan or two years from the date of commercial operation, whichever is earlier.

#### 7. Repayment Period

- a. Generally, the repayment period shall be 6-8 years after moratorium. In cases where the economic life of the project is higher, up to 10 years may be considered. However, in cases where the economic life of the project is still higher (especially hotels, resorts and projects where the quantum of machinery is considerably lower vis-a-vis cost of buildings), up to 12 years may be considered.
- b. In general, the principal repayment shall be in equal monthly instalments. Telescopic repayment may also be considered wherever required as per cash flow projections (i.e., lower amount during initial period and progressively increasing thereafter).
- c. EMI (Equated Monthly Instalments) schedule may also be considered for repayment, if specifically requested by the party (i.e. every month the sum of interest payable and principal instalment will be the same).

#### 8. Cash loss projection

- a. Term Loan Interest during the first year of commercial operation is taken as part of project cost if the first-year operations are projected at cash loss.

#### 9. Major Financial Indices

Existing Norms	
DSCR	1.80:1

IRR after tax	3% more than the applicable lending rate. In case of infrastructure and large projects, IRR is calculated for 15 years. Requirement of IRR shall be applicable in case of new projects only. For all other forms of loans (Equipment loan, WCTL, Corporate loan etc.), requirement of IRR shall not be applicable.
Security Margin	As per clause 5.2-12

#### **10. Sanction of loan to second project when the first project is still under implementation**

- a. Financing by the Corporation of a second project of the borrowing entity may be considered in appropriate cases, where the Corporation is convinced that the implementation of both the units are not adversely affected.

#### **11. Personal Guarantee**

- The Promoter Directors/Shareholders / Partners/Proprietor shall provide personal guarantee.
- Promoters who provide personal guarantees shall together hold a minimum 51% shares in the Company/ Partnership firm / LLP.
- Credit vision CIBIL score of the borrowers (in case of proprietary concern)/ loan guarantors (in case of partnerships/ LLP/ companies) shall be 650 and above. Wherever the borrowers/ loan guarantors having insufficient credit history (-1 or a Score between 101 to 200 as the case may be) shall also be considered for the various loan schemes. In such cases, if the guarantor is an NRI, the individual's credit rating in the country of residence wherever available, shall be considered. In other cases his/her Bank's Confidential Report and Net worth Certification shall be relied upon. For Credit Rating purpose, CIBIL scores having -1/between 101 to 200, as the case may be, shall be equated to the minimum eligible score of 650.
- If the promoters are not willing to provide personal guarantee for the loan, additional security as per clause 5.2-12 may be considered only with due approval from Competent Authority.
- Corporate Guarantee, wherever insisted shall be subject to the conditions laid down in Companies Act, 2013.
- The net worth of the promoters as certified by a chartered accountant
  - Shall be assessed based on the policy for credit rating mechanism.
  - Minimum 25% of the financial assistance sanctioned.

#### **12. Security for the loans**

**For all term loans except for Corporate loans & CM Special Assistance schemes/ Special Schemes sanctioned from time to time as per Government.:-**

Security for the loan shall be exclusive/ pari-passu first charge over primary assets of the company and/or Collateral security to cover 133.33% of loan amount. However, in case if there are any limitations in obtaining primary assets as security, collateral security to cover 133.33% of loan shall also be accepted.

**For Corporate Loan: -**

Security for the loan shall be exclusive/pari-passu charge over primary assets of the company and/or Collateral Security to cover 150% of loan amount.

If pledging of shares (acceptable only of listed & active companies) is offered as security in combination with fixed tangible assets, only 50% of the average price during the preceding 6 months calculated as per SEBI guidelines will be considered. Pledge of shares can be considered upto a maximum of 25% of the security offered.

In the above two cases, if the major shareholder of the company proposed to be financed is another company / companies, KSIDC may demand the corporate guarantee of the major stakeholder company, if the assisted unit is its subsidiary, subject to the conditions laid down in the Companies Act, 2013.

**For all loans, if Personal Guarantee is waived off by Competent Authority: -**

Security for the loan shall be exclusive/pari-passu first charge over the primary assets of the company and/or Collateral Security to cover 200% of loan amount.

**Scrutiny of title deeds:**

- a) Legal scrutiny of the primary /collateral security offered for the loans shall be done by empanelled external legal experts.
- b) In case of loans above Rs. 5 crores, scrutiny shall also be done by the internal Legal Department of the Corporation.
- c) A panel of legal experts at Thiruvananthapuram, Kochi and Kozhikode for verification of title deed documents shall be created and maintained in consultation with Legal Department and approval of Managing Director.
- d) The project shall be rejected if either the internal scrutiny or external scrutiny report is ambiguous.
- e) Till such time the panel of legal experts is constituted, the existing practice of legal scrutiny by the legal division of KSIDC shall continue.

**13. Projects set up in Industrial Parks**

KSIDC will accept the industrial land allotted by Government Agencies (KSIDC/KINFRA/SIDCO, etc.), on an initial license basis that can be converted to a

lease subsequent to payment of full lease premium as well as compliance of allotment terms, as security. Wherever execution of lease deed is pending a valid license agreement shall be in force and a separate agreement is entered into to protect the security interest of KSIDC through tri-partite agreement and legal undertaking as required.

Also, the land allotted in the DIC industrial area shall also be considered as security, by accepting the NOC for mortgage of land and improvements from DIC obtained up on execution of undertaking in Form X.

#### 14. Valuation Norms

- In the case of land offered as security, the valuation of land is considered as the weighted average of:
  - Highest of fair value / value as per land document
  - &
  - The valuation of land by the empanelled Valuer deployed by KSIDC.
- A panel of valuers registered with the Insolvency & Bankruptcy Board of India (IBBI) shall be approved by the MD for the purpose.

Value of	Weightage
Highest of fair value / value as per land document	33.33%
The valuation of land by the Valuer deployed by KSIDC	66.66%

- The allocation of the work to the empanelled valuers shall be based on competent quotes.
- In case of building offered as security, valuation by approved Valuer deployed by KSIDC shall be considered.

#### 15. Value of land considered as part of project cost

KSIDC follows the general practice of considering the document value of project land towards project cost unless the promoters / company insist for revaluation. Based on request from borrower, following aspects may be considered.

- a. For land acquired within 5 years, fair value as per data bank wherever it is available, shall be applied while appraising the project, in case the promoters insist on considering present land value instead of document value. If fair value is not available in the data bank, revenue valuation can also be considered.
- b. If the project is being set up on a plot owned by the borrower (industrial land taken from DIC, SIDCO, KINFRA and other similar agencies shall be excluded), which was acquired prior to 5 years, valuation of land may be done as per the valuation criteria of collateral security, if insisted by the borrower. The case-by-case

valuation must be done very carefully on the basis of objective considerations. In case of joint / consortium finance, decision of the consortium can be followed.

- c. In the case of industrial land taken on lease, present lease value of land at the industrial park for the balance lease period can be considered (after deducting the appropriate value of land for the expired period).

#### 16. Project Implementation Committee

- a. KSIDC may appoint Project Implementation Committee wherever loan sanctioned is more than Rs. 10 crores or wherever it is felt necessary.

#### 17. Promoter's Contribution prior to commencement of disbursement

Condition	Proposed promoters' contribution			
	Manufacturing	Healthcare	Tourism	Others
For projects with KSIDC loan content up to Rs.5 crore	35%	50%	50%	50%
For projects with KSIDC loan content above Rs.5 crore up to Rs.10 crore	30%	40%	40%	40%
For projects with KSIDC loan content above Rs.10 crore	25%	33%	33%	33%
For KSIDC privileged card (gold card) holders - (irrespective of the loan content)	25%	25%	25%	25%

However, in cases deemed necessary, 100% of promoter's contribution may be insisted upon depending on risk perspectives (irrespective of the loan content).

#### 18. Disbursement of loan



- Payments to machinery suppliers directly may be done for amounts involving more than Rs.10 lakhs as part of disbursement, wherever necessary.
- The loanee may be allowed to start a separate dedicated Current Account in a Commercial Bank and the bank shall issue a confirmatory letter stating that they shall not claim any right of set off or lien on any balance lying to the credit towards any other dues except any bank charges as applicable to maintain the current account.
- KSIDC shall collect CA certificate in the standard format, regarding the amount raised and spent by the promoters for the project while considering disbursement of loans. The CA shall certify that he/ she is not a relative of the promoter/ Partners/ shareholders of the entity as per the provisions of IT Act.
- **Cash spending in projects:** If there is cash spending in civil works for more than 20% of the approved cost under that particular head, the same shall be considered based on its valuation by IBBI registered approved valuer of KSIDC and on physical inspection by KSIDC officers. However, cash spending will be allowed in full for land development works in the project if such cost is considered in the approved project cost and recommended as per physical inspection by project finance officer. Further for land development cost above Rs.50 lakhs, there should be External Estimate Certification as well as Completion Certification along with photographs prior and post the land development.

#### **19. Joint financing / Consortium cases**

- Interest rate policy of the Corporation shall prevail.
- Debt Equity ratio shall be followed as per the lead banker / consortium limited to 2:1
- For DER, clause as per 5.2.2 shall prevail

#### **20. Takeover of loans from other institutions / banks**

- Generally, takeover of loans from other institutions/banks is not encouraged. However, KSIDC may consider proposals of loan takeover from entities with good track record and whose loan account with existing institutions/banks are standard (not SMA 1, SMA 2 or NPA) without any arrears.
- Total takeover loans per FY shall not exceed 50 % of disbursement target.

#### **21. Definition of ‘Good Track Record’**

- ***Companies which are present clients of KSIDC***
  - Shall have good repayment track record with KSIDC & other lenders.
  - Cash profit in the preceding 3 years, out of which 2 years shall have recorded net profit as per audited annual financial statements.
  - No overdues to financial institutions / banks
  - Shall also not fall in SMA-1 and SMA-2 category
- ***Companies not assisted by KSIDC***

- Net worth as certified by a Chartered Accountant should be positive
  - Cash Profit in the preceding 5 years, out of which 3 years shall have recorded net profit as per audited annual financial statements.
  - No over dues to financial institution / banks
  - Shall also not fall in SMA-1 and SMA-2 category
- ***For Corporate Loan***
    - Cash Profit in the preceding 5 years, out of which 3 years shall have recorded net profit as per audited annual financial statements.
    - Should have positive net-worth as certified by a chartered accountant.
    - Good repayment track-record with KSIDC and other lenders.
    - Turnover growth during four years out of the immediately preceding five years. FYs 2020-21, 21-22 & 22-23 shall be excluded, if the industry has suffered due to the covid-19 pandemic situation
    - CIBIL score of the guarantors shall be more than 650
    - The total net worth of the guarantors to the loan as certified by a chartered accountant should be more than 25% of the loan amount
    - Overall DER excluding working capital facilities shall be as per the general DE ratio requirement
    - Shall also not fall in SMA-1 and SMA-2 category

## **22. Expenses towards inspection of units**

- a. Expenses shall not be collected from units.

## **23. Appointment of Nominee Directors**

- a. Appointment of the nominee director shall be entrusted to a Senior Officer appointed by the Managing Director from time to time.
- b. May insist in all cases where the loanee is a company, an observer in case of LLP / partnership firms.
- c. When the loan outstanding falls below Rs. 5 crores the nominee may be withdrawn. However, directorship in pure share investment cases (working units) shall be retained till the share investment is settled.
- d. We may withdraw director prior to takeover of unit under SARFAESI/ Sec.29 / initiating RR / unit registering with NCLT / closed units.

## **24. Assistance to units set up outside Kerala**

Loans shall be extended to entities only for their operations in Kerala. However, any existing loans for units outside Kerala may continue.

## **25. Credit Rating Mechanism**

- *For loans with exposure of KSIDC up to Rs.2500 Lakhs*

Internal appraisal by KSIDC shall suffice and only projects getting 45% or more marks shall be financed.

- *For loans with total exposure of the entity above Rs.2500 Lakhs, excluding working capital loan*

Apart from internal appraisal by KSIDC where such projects shall get 45% marks or more, such projects shall also be externally rated by an accredited rating agency. The minimum rating shall be “BBB”.

## 26. Pitching by Promoters

- Pitching by promoters to MD or any other committee as may be constituted by MD, shall be done for loan cases above Rs.1000 Lakhs

## 6. COMPREHENSIVE RISK MANAGEMENT SYSTEM

As per the new Credit Risk Management Policy of KSIDC.

### 7. PRICING OF LOANS:

The loan-pricing is currently done based on the norms as approved by the Board from time-to-time.

#### 1. Interest rates

The rate of interest to be charged for loans and advances shall be as per the Interest Rate Policy.

Sl. No.	Interest Rates (Floating rate)
1.	CM Assistance Scheme - Lowest interest rate as per Interest rate policy Minus interest subvention available from Government (presently 3%). <i>The benefits under the Chief Minister's Special Assistance Scheme for MSMEs/Start-ups, Micro Enterprises and NRKs announced as per orders G.O. (Ms) No. 51/2021/ID dated. 18.02.2021 and G.O.(Rt) No.1162/2021/ID dated 23.10.2021 shall be applicable ie 3% subvention</i>
2.	New interest band as per interest rate policy shall be applicable while advancing loans. Each rate is at a rest of 0.25% based on credit rating score. We have been offering 0.5% rebate on interest for prompt repayment of interest by standard customers
3.	Equipment Loans - Same as Term Lending rate fixed by credit rating
4.	Working capital term loan - Same as Term Lending rate fixed by credit rating
5.	Corporate Loan - Same as Term Lending rate fixed by credit rating
6.	Penal charges as per Interest Rate policy shall be levied

7	Foreclosure Charge – 2% of the loan proposed to be pre closed as per repayment schedule. No charges shall be levied if the party pre-closes the loan from own funds. The loan pre closure condition as per loan sanction letter shall be applicable.
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2. The rate of interest shall be arrived at after taking into account relevant factors, such as cost of funds, margin and risk premium etc.

**3. Processing Fee**

Rs.1.00 Lakhs + GST is to be paid along with the filled-up application form and other documents. This amount is non-refundable irrespective of whether financial assistance is sanctioned or not.

**4. Upfront Fee**

• **For loans up to Rs.1000 Lakhs**

Upfront fee shall be 0.75% of the sanction amount (loan + share) plus GST.

• **For Loan / Share facility above Rs.1000 Lakhs**

Upfront fee shall be Rs.7.50 Lakhs plus 0.25% of the sanctioned amount in excess of Rs.1000Lakhs, plus GST

Expenses incurred by KSIDC towards conducting inspections of the units (except Board Meetings) will not be charged to the units.

The upfront fee is payable after the Board / MD approves the proposal but before issuing sanction letter. Once the sanction letter is issued, the upfront fee is non-refundable.

**8. SANCTION OF FINANCIAL ASSISTANCE-DELEGATION OF POWERS:**

**I. Powers of Managing Director**

MD shall have powers to:

- Sanction loans up to Rs.500 Lakhs cleared by the committee of senior officers.
- Approve cost overrun up to 15% cleared by the committee of senior officers.
- Approve rephasing within the repayment period and rescheduling of loan by extending repayment period by half the period of the original repayment period, in cases where interest payments are regularized before such rescheduling.
- Approve waiver of penal charges/ interest.

- Approve changes in loan guarantors without diluting the value of present guarantors.
- Approve changes in project parameters which may be warranted on practical considerations, subsequent to financial sanction if it is with in the norms specified in the approved credit policy.
- Approve changes in conditions of loan sanction / disbursement in changed circumstances subsequent to project sanction.
- To extend the loan availability period of projects

Provided however that all sanctions and variations approved by the MD shall be reported to the Board at its next meeting.

## **2. Powers of the Board**

Board is the competent authority for sanction of all category of loans except those which are specifically delegated to the Managing Director through a resolution of the Board and also approve changes/deviations from standard norms in the credit policy.

## **9. VALIDITY OF FINANCIAL ASSISTANCE:**

- Upfront fee shall be remitted within 30 days from the date of issue of pre-sanction letter.
- Acceptance of sanction letter within 30days of sanction
- Legal documentation shall be completed within 90 days from the date of detailed sanction letter.
- Revalidation of pre sanction/ sanction letter can be done for an extended period of 30 more days upon additional payment of Rs.10,000/-+ GST as revalidation charges
- Revalidation of sanction letter shall be done for an extended period of 60 more days for completing the documentation upon payment of Rs.25,000/- as revalidation charges.
- If the documentation is not completed within 6 months from date of pre sanction letter, the company shall pay the processing fee as applicable. If the party approaches KSIDC after 1 year from the date of pre sanction letter, the project has to be re-appraised. Upfront fee already if remitted shall be considered and need not be additionally remitted.
- The loan availability period shall be mentioned in the appraisal note / sanction communication, with a condition that unless extended, the un availed balance loan amount shall get cancelled automatically.

## **10. COMPLIANCE OF KYC GUIDELINES:**

As per the KYC and AML Policy of KSIDC

## **11. RENEWAL OF INSURANCE POLICY**

Renewal of insurance policies, wherever applicable, by the loanees shall be ensured and delay in renewal shall be fined at Rs.100 per day.

## **12. PREMATURE REPAYMENT OF LOANS – PREPAYMENT PREMIUM:**

Foreclosure / Pre-closure Charge shall be 2% of the loan outstanding amount as per repayment schedule. No charges shall be levied if the party pre-closes the loan from own funds.

## **13. LOAN-REVIEW MECHANISM:**

Loan-review mechanism (LRM) is an effective tool for constantly evaluating the quality of loan portfolio and to bring about qualitative improvements in credit administration. KSIDC would, therefore, have proper loan-review mechanism for all accounts. The main objectives of loan review would be:

- Prompt identification of loans which develop credit weaknesses by picking up warning signals and suggestions for timely corrective action
- Improvement in the quality of credit portfolio through additional security
- Independent review of credit-risk assessment (CRA)
- Rating all projects continuously at least once in a year.
- Physical inspection of all projects to be done at least once in a year.
- Independent/ external valuation of prime security/ land for stress cases.
- To provide information for determination of adequacy of loan loss provision.
- Feedback on regulatory compliance
- Assessment of adequacy of and adherence to credit policies and procedures.

## **14. MONITORING & FOLLOW-UP**

- There should be continuous monitoring and interaction with the borrower in order to assess the incipient default so that preventive action is taken well in time.
- There should be regular follow-up by way of telephones/letters/visits etc. for recovery immediately on the occurrence of first default. Performance of the project should be analyzed and corrective measures should be taken as rescheduling/restructuring depending upon projected cash-flows so as to avoid persistence of the default(s).
- If the assisted concern persists in default and is not responding to the letters for the same, appropriate notices may be issued to the borrower for further action including legal notice.
- If there is no significant recovery in response to the notices, the loan should be recalled within three months from the date of default and application for recovery may be filed with NCLT at the earliest.
- Necessary action under the ‘Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002’ may be considered depending upon the merits of the case as take-over/sale of the assets, transfer of the asset to Reconstruction or Securitisation company etc.

## **15. MANAGEMENT OF NPAs**

KSIDC shall follow all the guidelines and prudential norms on income recognition, asset classification, provisioning etc. as announced by RBI and as amended by it from time to time

and all the accounts would be categorized standard or NPA strictly as per norms of RBI. The detailed guidelines are mentioned in the Compromise Settlement and Technical Write-off policy.

**16. PERIODIC UPDATION:**

The Loan Policy shall be reviewed annually or as and when required.

**SCOREBOARD/PARAMETERS FOR CREDIT RATING FOR PROJECT LOANS**

		Maximum	Awarded
I	Line of Experience	10	
II	Proposed Activity	10	
III	Value of land & building against the loan	10	
IV	Past Performance	30	
V	Security	10	
VI	Green Energy use	5	
VII	Repayment period of the loan	5	
VIII	Profitability	10	
IX	Debt Equity Ratio	10	
		<b>100</b>	

Sl. No.	Credit Rating Score	Interest Rate
1	>85	Lowest interest rate
2	>80 - 85	Lowest interest rate + 0.25%
3	>75 - 80	Lowest interest rate + 0.50%
4	>70 - 75	Lowest interest rate + 0.75%
5	>65 - 70	Lowest interest rate + 1.00%
6	>60 - 65	Lowest interest rate + 1.25%
7	>55 - 60	Lowest interest rate + 1.50%
8	>50 - 55	Lowest interest rate + 1.75%
9	>45 - 50	Lowest interest rate + 2.00%

Those projects that score less than 45 will not qualify for any assistance



DETAILS OF MARKS AWARDED

**I. LINE OF EXPERIENCE**

		<b>Total marks</b>	<b>Marks awarded</b>
a	Promoters having experience in running same business for 3 years or more	10	
b	Having experience in related business for 3 years or more	8	
c	The promoter has only trading experience in similar business	5	
d	New ventures	3	

**Basis**

**II. PROPOSED ACTIVITY**

		<b>Total marks</b>	<b>Marks awarded</b>
a	To expand the existing/into related business	10	
b	To diversify	8	
c	New Venture	6	

**Basis**

**III. TOTAL VALUE OF LAND AND BUILDING COST/LOAN**

*\*Service Sector (Hospitals, Resorts, etc)*

		<b>Total marks</b>	<b>Marks awarded</b>
a	Ratio of value of land, buildings, and other civil constructions to loan equal to 1 or more	10	
b	Ratio of value of land, buildings and other civil constructions to loan equal to 0.75 or more, but less than 1	8	
c	Ratio of value of land, buildings and other civil constructions to loan less than 0.75	6	

*\* Value for land; for buildings & other civil constructions, estimated cost as per extant lending norms.*

Other projects

		<b>Total marks</b>	<b>Marks awarded</b>
a.	Ratio of value of land, buildings, and other civil constructions to loan equal to 0.75 or more	10	
b.	Ratio of value of land, buildings, and other civil constructions to loan equal to 0.5 or more but less than 0.75	8	
c.	Ratio of value of land, buildings, and other civil constructions to loan less than 0.5	6	

\* Value for land; for buildings & other civil constructions, estimated cost as per extant lending norms.

**Basis**

Loan Amount: Rs....lakhs

Primary Security: Rs....lakhs

Ratio:

**IV. PAST PERFORMANCE**

(3 Categories – A. Existing clients of KSIDC, B. Existing units but not clients of KSIDC, C. First time entrepreneurs)

**A – EXISTING CLIENTS OF KSIDC**

**A.1 CIBIL Rank of Loan Guarantors**

CIBIL Score of Loan Guarantors	
	Total marks
a. CIBIL Score 750 and above	10
b. CIBIL Score from 700 to 749	8
c. CIBIL Score from 650 to 699 / -1 / between 101 to 200	6
d. CIBIL Score below 650	0

\*Average CIBIL Score of all promoters offering personal guarantee. For credit rating purpose scores having -1/between 101 to 200 shall be equated to the minimum eligible score of 650.

**A.2 Asset category as per KSIDC Accounts/ other FIs**

	Total marks	Marks Awarded
a. Standard Category	5	
b. Substandard category (expected to become standard at the end of FY)	3	

\*The loan accounts of the applicant with the existing bankers shall be in the standard category and no loans shall be provided to applicants whose loan accounts with the existing bankers are in NPA category

**A.3 Turnover Growth**

	Total marks	Marks awarded
a. Average Growth in turnover is > 10% for the preceding 3 years.	5	
b. Average Growth in turnover is from 5 to 10 percent for the preceding 3 years.	4	
c. Average Growth is less than 5% but not negative	3	
d. Average Growth is negative	0	

*\*Turnover from trading business/ small-sized concerns shall not be considered*

Year				
Turnover*				
% Increase over previous Year				

*\*Excluding GST and other taxes*

Avg:.....%

**A.4 Profit to Turn Over Ratio**

	Total marks	Marks awarded
a. Profit After Tax (PAT) for the preceding 3 years exceeding by 5 % of Sales Turnover	5	
b. Profit After Tax (PAT) for the preceding 3 years is up to 5% of sales turnover.	4	
c. Negative	0	

*\*Profit from trading/small-sized concerns shall not be considered*

Year			
Sales			
Net Profit			
%			

Avg:.....%

**A.5 Return on Equity (in the preceding 3 years)**

	Total marks	Marks awarded
a. 15% or more	5	
b. 10% or more but less than 15%	4	
c. 5% or more but less than 10%	3	
d. 1% or more but less than 5%	2	
e. Others	0	

Share capital & Reserves and surplus			
Profit after tax			
ROE			

**SUMMARY**

	Total marks	Marks awarded

<b>A.1 CIBIL Rank of loan guarantors</b>	10	
<b>A.2 Asset category as per KSIDC Accounts</b>	5	
<b>A.3 Turnover Growth</b>	5	
<b>A.4 Profit Growth</b>	5	
<b>A.5 Return on Equity (in the preceding 3 years)</b>	5	
<b>Total</b>	<b>30</b>	
<b>B – EXISTING UNITS BUT NOT CLIENTS OF KSIDC</b>		
<b>B.1 CIBIL Rank of Loan Guarantors</b>		
	<b>Total marks</b>	<b>Marks awarded</b>
a. CIBIL Score 750 and above	10	
b. CIBIL Score from 700 to 749	8	
c. CIBIL Score from 650 to 699 / -1 / between 101 to 200	6	
d. CIBIL Score below 650	0	

*\*Average CIBIL Score of all promoters offering personal guarantee. For credit rating purpose scores having -1/between 101 to 200 shall be equated to the minimum eligible score of 650.*

#### **B.2 Personal Net Worth**

	<b>Total marks</b>	<b>Marks awarded</b>
a. Combined personal net worth of all guarantors exceeding 50% of the loan amount	5	
b. Combined Personal net worth of all guarantors between 25% and 50% of the loan amount	3	

*Personal net worth of all guarantors shall be certified by CA for acceptance*

#### **B.3 Turnover growth**

	<b>Total marks</b>	<b>Marks awarded</b>
a. Average Growth in turnover is > 15% for the preceding 3 years.	5	5
b. Average Growth in turnover is between 10 to 15percent for the preceding 3 years.	4	
c. Average Growth is less than 10%.	3	
d. Average Growth is negative	0	

*\*Turnover from trading business/ small sized concerns need not be considered*

*(Past performance of existing group company operating the five-star hotel CROWN PLAZA is taken for analysis)*

Turnover				
% Increase over previous Year				

Avg: .....%

**B.4 Profit Growth**

	Total marks	Marks awarded
a. Profit After Tax (PAT) for the preceding 3 years exceeding by 10% of Sales Turnover	5	
b. PAT between 5% to 10% of turnover	4	
c. PAT less than 5% of Sales Turnover	3	
d. Growth is negative	0	

*\*Profit from trading/small sized concerns need not be considered*

Sales			
Net Profit			
%			

Avg: .....%

**B.5 Return on Equity (in the preceding 3 years)**

	Total marks	Marks awarded
a. 15% or more	5	
b. 10% or more but less than 15%	4	
c. 5% or more but less than 10%	3	
d. 1% or more but less than 5%	2	
e. Others	0	

Note: Return for the Equity Shareholders' investment is given due consideration

Share capital & Reserves and Surplus			

Profit after tax			
ROE	-	-	-

#### SUMMARY

	Total marks	Marks awarded
<b>B.1 CIBIL Rank of loan guarantors</b>	10	
<b>B.2 Personal Net Worth</b>	5	
<b>B.3 Turnover Growth</b>	5	
<b>B.4 Profit Growth</b>	5	
<b>B.5 Return on Equity (in the preceding 3 years)</b>	5	
<b>Total</b>	<b>30</b>	

#### C- FIRST GENERATION ENTREPRENEURS

##### **C.1 CIBIL Rank of Loan Guarantors**

	Total marks	Marks awarded
a. CIBIL Score 750 and above	10	
b. CIBIL Score from 700 to 749	8	
c. CIBIL Score from 650 to 699 / -1 / between 101 to 200	6	
d. CIBIL Score below 650	0	

\*For CIBIL Rank, the average of CIBIL ranks of all loan guarantors are to be taken. *For credit rating purpose scores having -1/between 101 to 200 shall be equated to the minimum eligible score of 650.*

##### **C.2 Professional Work Experience of any promoter/ director holding 10% share**

	Total marks	Marks awarded
a. Work experience of 10 years and above in related field	5	
b. Work experience of between 5 to 10 years in relatedfield	4	
c. Work experience of between 1 to 5 years in relatedfield	2	
d. No experience	0	
*Experience certificate to be verified		

### **C.3 Personal Net Worth**

	<b>Total marks</b>	<b>Marks awarded</b>
a. Combined Personal net worth of all guarantors exceeding 75% of the loan amount	10	
b. Combined Personal net worth of all guarantors between 50% and 75% of the loan amount	8	
c. Combined Personal net worth of all guarantors between 25% and 50% of the loan amount	6	

Personal net worth of all guarantors shall be certified by CA for acceptance

### **C. 4 Environmental category of proposed unit**

<b>Environmental category</b>	<b>Total marks</b>	<b>Marks awarded</b>
a. White	5	
b. Green	4	
c. Orange	3	
d. Red	1	

\*Based on KSPCB Norms

### **SUMMARY**

	<b>Total marks</b>	<b>Marks awarded</b>
<b>C.1 CIBIL Rank of loan guarantors</b>	10	
<b>C.2 Professional Work Experience of chief promoter</b>	5	
<b>C.3 Personal Net Worth</b>	10	
<b>C.4 Environmental category of the proposed unit</b>	5	
<b>Total</b>	<b>30</b>	

### **V. SECURITY**

		<b>Total marks</b>	<b>Marks awarded</b>
a	The promoter/company is giving security for more than twice the value of loan amount	<b>10</b>	
b	The promoter / company is giving security: >1.75 < 2 times of loan	<b>8</b>	
c	The promoter / company is giving security > 1.5 to 1.75 times of loan	<b>6</b>	
d	The promoter/company is giving security for < 1.5 times of loan	<b>4</b>	

*\*Security consists of the value of primary security, collateral security, the value of personal assets of the guarantors, as certified by CA, and also the book value of assets (net of depreciation) of the company, which provides Corporate Guarantee.*

**Basis of security**

**VI. USE OF GREEN FUEL/ RENEWABLE ENERGY**

		<b>Total marks</b>	<b>Marks awarded</b>
a	More than 50% use of renewable energy such as solar, wind etc	5	
b	20% to 50%	3	
c	10 to 20%	2	

**VII. REPAYMENT PERIOD OF LOAN SOUGHT**

		<b>Total marks</b>	<b>Marks awarded</b>
a	Loan requested is to be repaid in less than 5 years	5	
b	Loan is to be repaid within a period equal to 5 to 7 years	4	
c	Loan is to be repaid in more than 7 years	3	

\* Repayment period is exclusive of loan moratorium; Longer the period sought, the longer the risk and hence the low score.

Basis: Repayment period for the proposed loan is ----- years including moratorium

**VIII. PROFITABILITY OF THE PROJECT**

**Pay Back Period (PBP)**

		<b>Total marks</b>	<b>Marks awarded</b>
a	Payback period 5 years or less	5	
b	Payback period: 6 years	4	
c	Payback period: 7 years	3	
d	Payback period: 7 years or more	2	

*Note: Higher PBP for Infrastructure projects which require more than 12 -15 years to recover the original investment may be considered on a case-to-case basis.*

*Basis*

*Pay Back period as the Projections is more than ----- years*



DSCR

		<b>Total marks</b>	<b>Marks awarded</b>
	a. DSCR more than 2	5	
	b. DSCR between 1.75 to 2	4	
	c. DSCR more than 1.5 but less than 1.75	3	

IX. DEBT -EQUITY RATIO

		<b>Thrust</b>	<b>Others</b>	<b>Marks awarded</b>
	a. DER is 1:1	10		
	b. DER is up to 1.5:1	10		
	c. DER is up to 1.75	8		
	d. Above 1.75	6		

*Assumption: Higher debt will attract higher interest rates and lower scores.*

*Basis*

*DE ratio is -----*

*In addition to the above, the performance of the existing clients shall be reviewed periodically so as to retain good clients. In order to ensure this, the credit rating of existing clients shall be reviewed after 3 years of commercial operation and the creditrating shall be done as applicable for existing clients of KSIDC for revision of the interest rate, triennially.*