Kerala State Industrial Development Corporation Limited
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CIN: U45309KL1961SGC001937

Ref: KSIDC/ 330BM/2022/260A

4th January, 2023

CIRCULAR

Sub:- Modified Loan Credit Policy, Fair Practice Code and Interest Rate Policy.

The Board of KSIDC at its 330th Board Meeting held on 19/12/2022 has approved the following policies for implementation in KSIDC;

1. Loan Credit Policy
2. Fair Practice Code
3. Interest Rate Policy

The Loan Credit Policy has been simplified aligning them with market practice with the main objective of growing the Corporations' Business and provide a level playing field with Banks.

In the Interest Rate Policy, it has been decided to fix the Interest Rate charged by Corporation on loans as the weighted average of the cost of borrowed funds and opportunity cost of own funds, instead of aligning it only to the cost of borrowed funds, so as to enhance its competitiveness with Banks.

The above policies shall be operational with effect from 19/12/2022 for all the project proposals to be approved by the Managing Director/Board.

For information and compliance.

4/1/23

Harikishore S IAS
Managing Director

Cc : **All Officers**
Notice Board

KSIDC

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KSIDC LTD

Loan / Credit Policy

December 2022

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Kerala State Industrial Development Corporation Ltd. KSIDC Trivandrum-3

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.

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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:

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

(Subject to sub limit as stated in clause-6(pg-11)

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/SMA1 /SMA2 by banks/institutions.

c) Borrowers/guarantors who have defrauded and/or have not fulfilled their commitment to KSIDC, banks and institutions.

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d) Borrowers whose credit rating by external rating agencies is below 'BBB'.

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 disbursal. Loan application forms and documentation requirements should comply with the Fair Practice Code and KYC Policy of the Corporation.

Reporting to CICs:

2.5 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
- Financial assistance for execution of work in connection with Government contracts
- Seed fund assistance and Scale-up assistance to Start-ups are bound by a separate policy

4. AREAS FOR FINANCIAL ASSISTANCE:

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

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

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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

In addition, Start Ups in all sectors shall be considered under the Start Up Scheme approved by the Board 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.300Lakh.

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 legal entity is above Rs.25 crore. For projects with smaller loans internal rating shall be done by KSIDC and only those with 45% marks or above shall be extended loans.

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

1	**CM Special Assistance Scheme loans** • Rs.25 lakhs to Rs.200 lakhs provided to MSMES for asset creation and working capital requirements; Limit enhanced to Rs.100 lakhs to Rs. 500 lakhs subject to Govt. approval • Repayment period of loan shall be 5 years after 1 year moratorium • Loan shall be provided up to 80% of project cost

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	• Interest rate shall be the lowest interest rate in the prevailing band and interest subvention of 3% is available from Government • Age limit (for proprietor, partners and directors) 18–50 years; upper age limit enhanced to 70 years' subject to Govt. approval. • 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 • Promoters shall provide Personal guarantee as per clause 5.2-11 • Processing fee/upfront fee shall be waived for loans up to Rs. 1 crore. For loans above Rs.1 crore, processing fee and upfront fee shall be applicable for regular term loan
2	**Term Loan** • Minimum loan amount: Rs.**100 Lakhs.** • Maximum loan amount shall be **Rs.6000 Lakhs.** • Loans above Rs.6000Lakhs will be on a consortium basis limiting the **debt component of KSIDC to 50% of the total debt** and with the overall DE ratio limited to 2:1 • Promoter directors/Shareholders shall provide Personal guarantee as per para 5.2-11 • Security for the loan: As per Para 5.2-12
3	**Equipment Purchase loan** • Loan is proposed to be provided to the existing and new clients of KSIDC with good track record for purchase of Plant & Machinery / Utilities / Equipment. • Minimum loan amount shall be **Rs.200 Lakhs** • Maximum loan amount considered is **Rs.2000 Lakhs** • Promoter's margin required is minimum 22.50% of acquisition cost. • Promoter Directors/Shareholders shall provide Personal guarantee as per para 5.2/11 • Moratorium shall be 6 months from the date of first disbursement. • Repayment period shall be up to 5 to 8 years • Security shall be as per clause 5.2-12
4	**Corporate Loan**

	• This facility is proposed to be provided to companies registered under Companies Act with good track record. • 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 • The loan can be availed even without any promoter contribution. • The client can avail the loan in lump sum based on the requirement for outright purchase for expansion, diversification and modernization. • Sanction of loan is purely based on strength of balance sheet & profitability and volume & prospects of the existing business. • The cash flow from current business should be sufficient for servicing the corporate loan. • 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. • Minimum loan amount shall be **Rs.200 Lakhs** • Maximum loan amount shall be **Rs.4000 Lakhs.** • Credit concentration exposure norms shall be applicable. • Promoter directors/Shareholders shall provide Personal guarantee as per para 5.2/11 • The moratorium period shall be 6-12 months • Repayment tenure shall be 5-8 years • Overall, DER excluding working capital facilities shall be as per the general DE ratio criteria. • Security for the loan: as per clause 5.2-12
5	**<u>Working Capital Term Loan</u>** • Working Capital Term Loan is proposed for past, existing and new clients with good track record. • Minimum loan amount shall be **Rs.200 Lakhs** • Maximum loan amount shall be **Rs.2500 Lakhs** • Promoters shall provide Personal guarantee as per para 5.2/11 • Repayment period: 5-8 years

	• 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. • Security for the loan: as per clause 5.2-12
6	**Bill Discounting** Applicability For entities who have bills pending with Government Departments / Agencies wherein the payment is due from Treasury a. arising out of genuine trade transactions made by entities with PSUs & State / Central Government Department / Undertakings b. arising out of the contract works being executed for Government Departments/PSUs for executing civil, mechanical & other engineering works / purchase (like PWD, KWA, LSGD. KSIDC etc.) Eligibility a. 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: b. Class A or B Registration from PWD / KWA etc: for the contractors c. Income Tax Assessee under KVAT / Service Tax / GST Act for the last 3-5 years, filing the returns regularly. d. Net profit as per Audited accounts or certified by a practicing-chartered accountant, in the last 2 years. e. 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 limit shall be for a period of 6 months 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)

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	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 term loan Rate of Interest Highest in the interest band of KSIDC. The additional rate of interest on delayed payment shall continue to be charged 2% over and above the normal rate of interest for the delays beyond 360 days. Credit Period The maximum credit period of each bill discounted will be one year or the maturity date of the bill whichever is earlier. Security 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. 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. 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. Irrecoverable power of Attorney in favor of KSIDC to receive the bill amount directly from the work issuing Department / Government Undertaking duly acknowledged by the payer. Validity of Sanction The sanction will be valid for a period of 1 year from the date of sanction letter. Repayment Mechanism 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.
7	**KSIDC Privilege Card (KPC)**

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	• Applicable for the Units who have completed three years of association with the Corporation.
	• All their accounts are in standard category
	• Unit is in commercial operation and functioning well.
	• Has submitted the latest audited/provisional balance sheet.
	• Balance sheet analysis for the last three FYs should result in the following;
	  o Positive net worth
	  o Net profit
	  o No statutory dues pending
	• Good repayment track record with KSIDC
	• New loan amounting to 50% of the existing loan outstanding, without any appraisal, but subject to ensuring security margin and normal documentation.
	• MD Shall have power to sanction & disburse loans under this scheme
	• Interest (floating) at the lowest term loan rate existing at that point of time.
	• No processing fees.

8	**<u>Caravan Support Scheme of KSIDC</u>** **<u>Norms for project finance of Caravan and Caravan Parks:</u>** 1. The scheme shall be termed as Caravan Support Scheme of KSIDC 2. Finance will be extended to only new vehicles. Second hand and refurbished vehicles are not eligible for finance under the scheme. 3. 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) 4. Maximum finance from KSIDC per caravan will be limited to 70% of the cost of caravan, Promoters shall bring in the balance 30% 5. Target group shall be an MSME unit in Kerala.

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6. 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.

7. 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

8. Repayment period – In 84 monthly instalments

9. Moratorium - 12 months, extendable by another 6 months, from the date of first disbursement.

10. 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.

11. 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.

12. Financial indices (DSCR & IRR) – Same as per term loan (consolidated for the enterprise)

13. The disposal of bio – waste, passenger security aspects shall be ensured before sanctioning any proposals.

14. Police character certificates shall be obtained for staff involved.

15. Where these caravan parks are established in environmentally sensitive / heritage sites, renewable sources of energy shal be relied upon as far as possible for fuel and lights.

16. Tourism Department shall lay down in detail the process of booking caravan camp sites, including whether the rates shall fixed by GOK for the operations, and whether the rooms available can be rented out to tourists other than caravan tourists.

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17. 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.

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.

9 **Financial assistance to applicants for execution of work in connection with Government and PSU contracts**

1. Objective

1.1. 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;

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1.2 To build a strong lending portfolio for the Corporation by funding creditworthy applicants thereby generating a sustainable business model.

2. Applicability

2.1. 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;

2.2. 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.

3. Eligibility

3.1. 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;

3.2. 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;

3.3. 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;

3.4. 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;

3.5. 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;

3.6. The applicant must have no pending litigation with the contract awarding entity whatsoever and submit a

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notarized affidavit to this effect at the time of documentation;

3.7. 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;

3.8. The applicant must be an Income Tax Assessee and an assessee under the GST Act and must submit copy of the latest GST return;

3.9. The CIBIL score of the Promoter / Directors / Partners of the applicant shall be a minimum of 650 mandatorily;

3.10. The net worth of the applicant shall be positive as per the audited / CA certified financial statements; and;

3.11. 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 for 2020-2021)

4. Quantum of Loan

4.1. 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. 50 Lakhs; and;

4.2. The maximum exposure per applicant shall be as per the lending norms of the Corporation for the normal term loan.

5. Disbursement

5.1. An amount equivalent to maximum of 25% of the loan amount shall be disbursed as advance, based on the request of the applicant;

5.2. 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

5.3. The applicant shall submit utilization certificate certified by Chartered Engineer and the same has to be counter checked by KSIDC from time to time.;

6. Processing Fee

6.1. 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.

7. Upfront Fee

7.1 As per the rate applicable to general term loans

8. Repayment period

8.1 The maximum repayment period shall be restricted to three years; and;

8.2 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 / Autonomous bodies and in case the payment is received earlier, the repayment to KSIDC has to be made immediately.

9. Rate of Interest

9.1 The rate of interest shall be fixed at the mid band interest rate and no rebate whatsoever shall be provided;

9.2 The additional rate of interest on delayed payment shall continue to be charged at 2% over and above the normal rate of interest for the delays beyond the finalized repayment period.

10. Validity of Sanction

10.1 The sanction will be valid for a period of 6 months from the date of sanction letter and can be revalidated for another period of 6 months based on payment of processing fee of Rs. 1,00,000/- (Rupees one lakh only) plus GST.

11. Security

11.1 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.

11.2 The applicant shall secure the works by way of Power of Attorney in favour of KSIDC registered with the work awarding Government Departments / Agencies / PSUs / Autonomous bodies for the work.

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11.3 Personal Guarantee of all the Promoter / Partners / Directors;

11.4 Certificate from Statutory Auditors of the applicant as to time bound fulfilment of statutory compliance and payment of statutory fee;

11.5 For prompt repayment of the loan, an appropriate 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 directed 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;

11.6 Any other security as deemed necessary by the respective appraising officer with due approval of the sanctioning authority.

12. Additional Documents to be collected (in addition to any mentioned above)

12.1 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;

12.2 Administrative Sanction for undertaking the work awarding Government Departments / Agencies / PSUs / Autonomous bodies;

12.3 Administrative Sanction for undertaking the works received from Government by the work awarding Government Departments / Agencies / PSUs / Autonomous bodies;

12.4 Work order issued by the work awarding Government Departments / Agencies / PSUs / Autonomous bodies containing the approved timeline of completion & schedule of payment;

12.5 Treasury deposit details;

12.6 Personal Guarantee and net worth details as certified by a chartered accountant;

12.7 Copy of Bank Guarantee submitted to the work awarding Government Departments / Agencies / PSUs / Autonomous bodies;

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12.8 Power of Attorney registered with the work awarding Government Departments / Agencies / PSUs Undertaking / Autonomous bodies;

12.9 Pre-sanction affidavit as per the existing lending norms;

12.10 Memorandum of Association & Articles of Association in case of Company / Partnership Deed in case of Partnership Firm;

12.11 Escrow Agreement;

12.12 Application Form;

12.13 PAN Card of Promoters / Shareholders / Directors / Partners and Company

12.14 IT Return (applicable for IT Assessee)

12.15 Udyam Registration and GSTN

12.16 Audited / CA certified financial statements for immediately preceding three years

12.17 Document regarding Company / Firm / Entity incorporation

12.18 Solvency certificate and satisfactory bank reference from existing Bankers of the applicant, as also stating to have a satisfactory track record of transactions / dealings;

12.19 Certificate from existing Banker regarding the prevailing accounts being classified as 'Standard' category on last reporting day; and;

12.20 Other letters of communication to and from the work awarding Government Departments / Agencies / PSUs / Autonomous bodies and the applicant.

13. Procedure for processing the applications;

13.1 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;

13.2 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;

13.3 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. 13.4 Utilization certificates submitted by the applicant prior to each disbursement (other than the initial disbursement) shall be verified by KSIDC in consultation with the working awarding Government Departments / Agencies / PSUs / Autonomous bodies; 13.5 The Corporation shall have the right to reject / not consider any proposal based on due diligence being undertaken from time to time; 13.6 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 Directors as per the delegation powers or to Committee for preliminary evaluation of project proposals above Rs.500 Lakhs to the Board; in case-to-case basis and; 13.7 Once approved by the Internal Committee, the proposal shall be submitted to Managing Director / Board (along with the comments of the Internal Committee) seeking final approval and issue of sanction letter thereon.

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. **Debt Equity Ratio (DE Ratio) & Collateral Security-Except CM assistance Scheme**

   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, 2/3rd of promoter's contribution shall be allowed to be brought in as unsecured loan.

4. **Internal Accruals as part of promoter's contribution**
   - 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. All further lending shall be on the basis of Floating Interest Rates.
   b. 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	Financial assistance to applicants for execution of work in connection with Government contracts	Mid-term loan rate as per interest rate policy

   c. Penal interest on default: 2% over and above the credit rated interest rate.
   d. The interest rates could be same for all sectors.
   e. Corporation may offer interest rebate over these interest rates from time to time (presently 0.5%)

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f. **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 (Except for CM Assistance Scheme)**

   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 (Except for CM Assistance Scheme)**

   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. in 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**

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Existing Norms	
DSCR	1.80:1
IRR after tax	3% more than the applicable lending rate in case of loan and 5% in case of share capital. In case of infrastructure and large projects, IRR may be 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.
- If the promoters are not willing to provide personal guarantee for the loan, additional security as per clause 5.2-12 shall be taken.
- In case major shareholder of the company proposed to be financed is another company / companies, corporate guarantee of the major stakeholder company shall be taken if the assisted unit is its subsidiary, 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.
  - Should be minimum of 25% of the financial assistance for the loans.

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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 to be excluded: -
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.

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d) The project shall be rejected if either the internal scrutiny or external scrutiny report is ambiguous.

13. 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 appointed 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 on rotation basis.
- In case of building offered as security, valuation by approved Valuer deployed by KSIDC shall be considered.

14. 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 promoters / company, 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 company (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 company / firm. 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).

15. Project Implementation Committee

a. KSIDC may appoint Project Implementation Committee wherever felt necessary.

16. 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).

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17. Disbursement of loan

- Payments to machinery suppliers directly may be done for amounts involving more than Rs.10 lakhs as part of disbursement.
- The loanee may be allowed to start a separate dedicated Current Account in a Commercial Bank approved by KSIDC 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 will provide a list of banks to customers for opening dedicated current account.

- **Cash spending in projects**: If there is spending towards civil works in cash of 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.

18. 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

19. Takeover of loans from other institutions / banks

a. 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.

b. Total takeover loans per FY shall not exceed 50 % of disbursement target.

20. 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

21. Expenses towards inspection of units

a. Expenses shall not be collected from units.

22. Appointment of Nominee Directors

a. May insist in all cases where the loanee is a company

b. When the loan outstanding falls below 10% of the original loan the nominee may be withdrawn. However, directorship in pure share investment cases (working units) shall be retained till the share investment is settled.

c. We may withdraw director prior to takeover of unit under Sec.29 / initiating RR / unit registering with NCLT / closed units.

23. Assistance to units set up outside Kerala

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

24. 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 exposure of KSIDC above Rs.2500 Lakhs***

  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".

25. 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

KSIDC recognizes that risk is an inherent part of business of any financial intermediary and accordingly feels that identification, measurement, monitoring and management of risk are critical to build a sound asset-base. Policy guidelines on comprehensive risk management system have been developed and adopted by KSIDC which will be followed in case of all the new business proposals. Financing institution, in general, face three types of risks viz.

a) Credit risk

b) Market risk

c) Operational risk

a) **Credit-risk management** would encompass the following processes:

- Establishing appropriate credit-risk environment
- Operating under sound credit-granting process
- Fixing prudential limits of exposure
- Measuring risk through internal risk-rating
- Risk-based pricing of loans/ facilities
- Establishing systems for portfolio risk management
- Controlling credit risk through loan review mechanism

KSIDC has implemented a dynamic risk-rating module which evaluates each proposal for various risks, such as industry business risk, project risk,

management risk, external risk as also security available, income value to KSIDC, profitability/ financial projections, etc. However, each new case is scrutinized for various parameters as laid down under the module depending upon the weights assigned to each parameter. The module assigns the score on a 1-100 scale.

Only proposals securing 45 points and above are accepted for consideration whereas proposals securing less than 45 points are rejected outright. It is proposed that all credit proposals would be examined in terms of the risk-rating module developed and implemented in KSIDC.

Further, the interest rate applicable on the loan would also be linked to the grade which the individual proposal will secure as per the above risk - rating module.

b) **Market-risk management:** The liquidity/interest-rate risk is appraised by the internal committee of executives known as ALCO, which meets regularly at quarterly intervals to deliberate on various matters pertaining to asset-liability mismatch, liquidity problems, funding strategies wherein restructured cases and their impact on the liquidity of KSIDC is also analysed and necessary corrective action to mitigate the risk is taken.

c) **Operational risk** includes both internal and external risks as people risk, process risk, technology risk, physical risk which are mitigated by strengthening internal controls that include preventive controls as well as damage-limitation control. Risk Management Committee of the Board has been set-up for monitoring overall risk of the organization, including operational risk, credit risk. Based on the prevailing size of KSIDC, functional distribution and reporting relationships, appraising officer/ relationship manager would be assigned additional responsibility of loan review as well as internal rating system.

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%).

	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
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 interest on default 2% over and above the credit rated interest rate.
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.

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.1.00Lakhs + 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 sanctioned or not.

   For loans under CM special assistance scheme, processing fee shall be waived for loans up to Rs. 1 crore. For loans above 1 crore, processing fee and upfront fee shall be applicable for regular term loan

4. **Upfront Fee**

   - **For loans up to Rs.1000 Lakhs**

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

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- **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 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.

For loans under CM special assistance scheme, upfront fee shall be waived for loans up to Rs. 1 crore. For loans above Rs.1 crore, upfront fee shall be applicable for regular term loan

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 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.

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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 shall be the competent authority to sanction of all category of loans except those which are specifically delegated to the Managing Director through a resolution of the Board. Board may 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 30 days of sanction
- Legal documentation shall be completed within 90 days from the date of detailed sanction letter.
- Revalidation of pre 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 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 one year from date of pre sanction letter, the project has to be re-appraised and the customer shall pay the processing fee as applicable. Upfront fee already if remitted shall be considered and need not be additionally remitted.

10. COMPLIANCE OF KYC GUIDELINES:

In compliance with RBI directives all customers availing loan facility from the Corporation shall be required to submit suitable and acceptable evidences of Identity and Address, commonly understood as KYC documents. Documents in support of KYC compliance need be normally submitted at the time of the first loan when the "Customer ID" (master) is created in the system. Wherever applicable, Legal Entity Identifier (LEI) also needs to be taken by the customer. Loans should be sanctioned only after full compliance with the KYC policy as laid down by the Corporation.

The KYC guidelines for all borrowers shall be complied with as per RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 February 25, 2016 (Updated as on May 10, 2021) applicable for Banks/NBFCs. The objective of KYC is to prevent NBFCs from being used, intentionally or unintentionally, by criminals for money laundering. KYC

procedures help NBFCs to know/understand their customers and their financial dealings better which in turn helps to manage risk prudently. The Key parameters of our KYC policy would be:

a) Customer Acceptance policy

b) Customer Identification Procedure

c) Monitoring of Transactions

d) Risk Management

a) Customer Acceptance policy:

KSIDC shall categorize each new customer into low, medium and high-risk categories and have differential due diligence and monitoring standards based on the risk assessment.

High value loans, exceeding Rs.50 Crores to single customer (or closely connected group of individuals or entities) should be controlled and monitored as such customers may fall under 'high risk' category.

Due care in large value accounts would also be necessitated by the RBI provisions relating to Anti Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower

b) Customer Identification Procedure:

This Procedure describes features to be verified and documents that may be obtained from the various types of the customers.

c) Monitoring of Transactions:

A list of individuals/entities suspected of having terrorist links as approved by RBI shall be maintained and updated on a continuous basis. Before transacting business with a new customer, it should be ensured that the name of the promoter/borrower company does not match with any person/entity in the aforesaid list with known criminal background.

A risk-based approach on KYC and AML would be followed wherein accounts in the high-risk category would be reviewed at a shorter interval with more enhanced monitoring than customers in the low-risk category. Periodic updation shall be carried out at least once in every two years for high-risk customers, once in every eight years for medium risk customers and once in every ten years for low-risk customers from the date of opening of the account / last KYC up-dation.

During such review, the risk assigned to an existing customer may undergo change depending on the change in risk parameters of the customer. KYC compliance shall be carried out at the time of detailed project

appraisal/execution of loan documents and subsequently if there is any change or as required under the policy.

d) Risk Management:

The inadequacy or absence of KYC standards can subject KSIDC to serious customer and counter party risks especially reputational, operational, legal and concentration risks which will be addressed in the comprehensive KYC policy.

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

i. 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.

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ii. 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).

iii. 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.

iv. 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.

v. 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 Loan Recovery and Monitoring Policy, as approved by the Board of Directors, lays down the detailed guidelines with a view to reduce the NPA level by accelerating recoveries and to curb fresh slippages by constant monitoring of standard assets and persistent follow-up of NPAs:

i) Notwithstanding the aforesaid action / steps, a settlement may be negotiated which will ensure recovery of dues to the maximum extent possible at minimum expense and within shortest possible time which would improve the NPA portfolio of KSIDC.

ii) While tackling NPAs, a proper distinction will have to be made between willful defaulters and defaulters due to circumstances beyond their control. While in case of the former, a tough stand would be taken; in the latter's case, a view based on merits would be taken ensuring long-term viability of the project.

iii) Where security is available, for assessing the realizable value, proper weightage would be given to the location, condition of the property, marketability and whether property is operated by the promoters or a chain having management tie-up with the borrower, etc.

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iv) Due weightage would be given to present activities of the borrower/ guarantor(s), their present means, etc.

v) While arriving at a negotiated settlement, the advantage available to KSIDC from prompt recycling of funds would be weighed in comparison to the likely recovery by following legal or other protracted course of action.

vi) High rate of interest, penal rate of interest charged in the account after the account turned NPA would be reviewed considering the long-term viability of the concern.

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KSIDC

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KSIDC LTD

Fair Practice Code

December 2022

1. Introduction

This Policy shall be termed as Fair Practices Code of the Kerala State Industrial Development Corporation Ltd (KSIDC) (hereinafter called the 'Corporation'), prepared and posted on the Corporation's website in accordance with the directions of the Master Direction - Non-Banking Financial Company-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 (updated on September 29, 2022), and other directives issued by Reserve Bank of India.

2. RBI Guidelines

The Reserve Bank of India has rolled out certain guidelines to cover inter alia:

- Application for loan and their processing
- Loan appraisal and terms/ conditions
- Disbursement of loans including changes in terms and conditions
- Recovery of loans
- Language and mode of communication Fair Practice Code
- Regulation of excessive interest charged by NBFCs
- Complaints on excess interest charged by NBFC and
- Responsibility of Board of Directors

KSIDC has put in place the Fair Practices Code in an endeavour to achieve synchronization of best practices when the Corporation is dealing with its stakeholders such as customers, employees, vendors, etc. The Corporation's Fair Practices Code shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities.

3. Fair Practices Code

3.1 Key commitments

The following are the Corporation 's key commitments to customers:

a. Adopt the best practices in dealing with customers

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b. To provide professional, efficient, courteous, diligent and speedy services.
c. Promote good, fair, transparent and legally tenable practices by minimum standards in dealings with customers.
d. To be fair and honest in any advertisement and marketing of loan products.
e. To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
f. If sought, to provide such assistance or advise to customers seeking loans.
g. To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal system within the organization.
h. To comply with all the regulatory requirements in good faith.
i. Foster fair and cordial relationship between the customers and the Corporation.

3.2 Application of loans and their processing

a. All communications to the customers/borrowers shall be made in English or in Malayalam.
b. All loan application forms shall contain necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made, and informed decision can be taken by the borrower. The application form shall indicate the documents required to be submitted.
c. All loan applications received by the Corporation will be given an acknowledgement slip.
d. Loan applications shall be processed and after necessary due diligence is done; customer shall be issued a sanction letter. The acceptance of the terms and conditions by the borrower shall be kept by the Corporation for its records. The Customer shall sign the loan agreement and other documents. Such agreements and documents shall have the schedule for interest rates and charges mentioned in bold. All the terms and conditions shall be explained to the customers
e. Being project specific loans, sanctions will be obtained after the approval of the Executive Committee/ Board which are normally held once in 3 months.

3.3 Loan appraisal and terms / conditions

a) The Corporation will convey in writing to the borrower, the amount of the loan sanctioned along with the terms and conditions including applicable rate of interest, method of charging interest, repayment terms and keep the acceptance of these

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terms and conditions by the borrower on its record.

b) As complaints received against NBFCs generally pertain to charging of high interest / penal interest, the Corporation shall mention the penal interest charged for late repayment in bold in the loan agreement.

c) The Corporation has an "Interest Rate" policy which lays out the principles for charging Interest and other fees to customers

   i. The interest rate to the customer is determined based on cost coverage and reasonable returns to the organization and its shareholders.

   ii. The rate shall be annualized rate

   iii. The rates of interest and the approach for gradation of risks shall be made available on the website of the Corporation.

   iv. The Corporation's pricing methodology will continue to evolve and be more and more refined as we get more insights into risk levels of each sub segment.

   v. The Corporation offers loan rates based on loan size, perceived credit risk, nature and value of collateral and credit history with other FIs. Existing customers who take a repeat loan will also get benefit of lower rates as they have a demonstrated track record.

3.4 Disbursement of loans including changes in terms and conditions

a) The Corporation will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Corporation will also ensure that changes in interest rates and charges are effected only prospectively.

b) The Corporation shall recall or accelerate the payment of loans in consonance with the conditions in the loan agreement.

c) The Corporation will release all securities on repayment of all the dues subject to any legitimate right or lien for any other claim, it may have against the borrower.

3.5 Post- disbursement supervision

The post disbursement supervision by the Corporation, particularly in respect of loans shall be constructive with a view to take care of any genuine difficulty that the borrower may face. For collection purposes, the Corporation shall adhere to the policy guidelines as per Code of Conduct for Collection and Recovery of dues from borrowers.

Further the Corporation reiterates the following points with regard to post disbursement supervision:

a) Before taking decision to recall / accelerate payment or performance under the facility terms or seeking additional securities, the Corporation shall give notice to borrowers, as

specified in the facility terms or a reasonable period if no such condition exists in facility terms (unless the security is in jeopardy).

b) The Corporation shall release all securities on receiving payment of loan or realization of loan, subject to any legitimate right or lien for any other claim the Corporation may have against the borrowers/guarantors.

c) The change in the terms and conditions of the loan agreement shall be informed to the loanees prospectively.

d) The loan application register shall be kept at the office recording the details regarding the sale of loan applications, receipt of application, sanction of applications and rejection of applications with reasons for rejection.

e) Prior notice shall be given to the loanee if additional security is sought for from them.

f) A Grievance Redressal Mechanism shall be formulated and set up within the organization for effectively handling the complaints received by the Corporation from various clients.

3.6 General

a) The Corporation shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of sanction of the loan (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender).

b) In case of receipt of request for transfer of borrowal account, either from the borrower or from a lender which proposes to take over the account, the consent or otherwise i.e. objection of the Corporation, if any, shall be conveyed within 21 days with the receipt of the request. Such transfer shall be as per transparent contractual terms in consonance with law.

c) In the matter of recovery of loans, the Corporation shall not resort to undue harassment.

3.7 Responsibility of Board of Director

The Board of Directors of the Corporation shall lay down the appropriate grievance redressal mechanism within the Organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of Corporation's functionaries are heard and disposed of at least at the next higher level. Periodical review of the functioning of the grievances redressal mechanism shall be done every 3 months at various levels of management. Periodical review of the compliance of the Fair

Practices Code shall be done by the Board of Directors every 6 months.

3.8 Grievance Redressal Officer

The Corporation shall implement all possible steps to prevent and minimize customer complaints/ grievances.
The Corporation shall put in place an effective Customer Grievance Redressal mechanism details of which will be displayed on the website and in all the branches. The mechanism will specify inter alia the names & designations of the officials with whom complaints can be registered.
The contact details of the Grievance Redressal Officer shall be displayed in all the Branches for the benefit of customers.
If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer -in-charge of the Regional Office of DNBS of RBI as per the contact details displayed in the branch

3.9 Repossession of vehicles financed by KSIDC

The Corporation should have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:
(i) notice period before taking possession;
(ii) circumstances under which the notice period can be waived;
(iii) the procedure for taking possession of the security;
(iv) a provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
(v) the procedure for giving repossession to the borrower; and
(vi) the procedure for sale/ auction of the property.

A copy of such terms and conditions must be made available to the borrower. The Corporation shall invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of loans, which forms a key component of such contracts/loan agreements.

The Fair Practice Code of KSIDC shall be updated as and when required.

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KSIDC

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KSIDC LTD

Interest Rate Policy

December 2022

I. Background

a) The Reserve Bank of India had issued the Master Circular – Fair Practices Code dated July 1, 2015 bearing reference number DNBS (PD) CC.No.054/03.10.119/2015-16 ("**Master Circular**"), which details guidelines on fair practices code to be adopted by all non-banking financial companies while doing lending business, which also includes provisions in relation to charging of interest rates by NBFCs.

b) The RBI has further issued the Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (updated on September 29, 2022) and bearing reference number RBI/DNBR/2016-17/45, which Master Direction is applicable to *inter alia* every systemically important NBFC, and which contains requirements on fair practices codes to be adopted by all such NBFCs.

c) Prior to October 2017, KSIDC was charging the fixed interest rates approved by the Board from time to time.

d) Subsequently, the Board of KSIDC at its 306th Meeting held on 30th October 2017 has approved revision in the interest rate, and floating interest rates was introduced in KSIDC for the first time. The external benchmark rate chosen for this purpose was the Bank rate of RBI and KSIDC's interest rate was fixed at RBI rate plus 3%. The existing loanee units at that time were provided with the option of switching over from fixed interest rates to floating interest rates.

e) In October 2020, on account of the borrowings availed from HDFC bank, KSIDC embarked on linking the interest rates to the borrowing rate. The borrowing rate at that time was 7.50%; with the margin fixed at 1.25%, the interest slab was fixed at 8.75% to 10.75%. The Corporation's first ever Interest rate policy was placed before the 319th Board of KSIDC held on 22nd October 2020 and the interest rate slab was fixed at 8.75% to 10.75%.

f) RBI, in October 2021, issued a regulatory framework for NBFCs – Scale Based Approach. Under these guidelines, KSIDC falls under the Middle Level on account of the asset size being above Rs. 1000 crores. The SBR guidelines has specifically mentioned that NBFCs in the middle layer shall continue to follow regulations as currently applicable to NBFC-ND-SIs.

g) Keeping in view of the industry scenario, in January 2022 the 325th Board of KSIDC decided to reduce the interest margin by 50 basis points and changed the interest rate slab to 8.25% to 10.25%.

II. Objective of the Policy

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The main objective of the Interest rate policy is to ensure that the interest rates are determined in a transparent manner through a well-defined methodology so as to ensure long term sustainability of business by taking into account the interests of all stakeholders.

III. Present Scenario

At present KSIDC has floating rates as well as fixed interest rates. Loans linked to floating rates can be further categorized into RBI rate linked loans and borrowing rate linked loans. KSIDC over the years has also advanced financial assistance with fixed interest rates under various schemes announced by the Government of Kerala.

IV. Methodology

The main factors which contributed to the fixation of the proposed interest are:

i. The Corporation has availed term loan facility from banks and hence the weighted average cost of borrowing of such funds is included in the bench mark calculation. Apart from the borrowed funds, KSIDC has also utilized its own funds to advance financials assistance and the cost of such equity is also taken into consideration.

ii. The Opportunity cost considered for the calculation is the yield on 10-year Government of Kerala securities as reported by RBI periodically.

iii. Accordingly, the weighted average cost of funds has been presently calculated at 7.75%. The spread proposed is 0.75%, thereby fixing the interest band at 8.50% to 10.50%.

iv. Rate of Interest shall be reset every 6 months synchronized with the lending bank's rates, passed on the same date.

v. All loan sanctions placed before the upcoming Board and financial assistance sanctioned thereafter shall carry the revised interest rates, i.e., the interest rates shall be directly linked to the interest band 8.50% to 10.50%.

vi. It is also proposed to continue the practice of providing rebate of 0.5% on a half yearly basis to customers who are prompt in repayment and in standard category as per RBI asset classification. However, this may be withdrawn / modified by the Corporation from time to time, without any notice.

vii. The loans currently linked to RBI rate and Borrowing rate shall be converged with the new rate once the interest policy is approved by the Board. For bringing uniformity and consistency in the change proposed, it is recommended that the interest rates may be made effective for existing loanee units w.e.f 1st January 2023.

viii. The detailed working of the proposed interest rate is as follows:

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Particulars	Figures / Percentages
Loan outstanding as on 11/11/2022 (in lakhs)	82468.94
Borrowings as on 11/11/2022 (in lakhs)	24950.00
Own Funds (in lakhs)	57518.94
Cost of Borrowed Funds	7.45%
Cost of Own Funds	0.00%
Weighted Average Cost of Funds	2.25%
Cost of Funds at opportunity cost, i.e., yield on 10 year G-Sec as per RBI report	7.48%
Lending bank MCLR Reset Date 11.11.2022	8.40%
Weighted Average Cost of Funds	7.76%
Rounded to nearest 5 basis points	7.75%
Minimum Interest spread	0.75%
Base Rate	8.50%
Maximum Interest Spread	2.75%
Maximum Interest Rate	10.50%
Interest Band as per Internal Credit Rating (incremental risk premium 25 basis points)	8.50% - 10.50%
Prompt payment interest rebate of 0.5% will be given, thus effective rates	8% - 10%

- There shall be no changes in the case of loans carrying fixed interest rates under various schemes.

- Loans under new schemes shall henceforth carry the revised rates, i.e., 8.50% to 10.50%.

- The interest shall be charged on a monthly basis.

- The interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate

V. Interest Rate Policy for Lending

i. The Corporation shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the sanction letter and communicate explicitly in the loan sanction letter.

ii. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the Corporation. The information published in the website would be updated whenever there is a change in the rates of interest.

iii. The interest rates offered could be on fixed basis or floating / variable basis. Changes in interest rates would be decided at any periodicity,

depending upon cost of funds, administrative overheads, market volatility and competitor review.

iv. Annualized rate of interest would be intimated to the customer

v. Besides normal interest, the Corporation may levy additional interest for ad hoc facilities, penal interest for any delay or default in making payments of any dues. The levy or waiver of these additional or penal interests for different products or facilities would be decided within the limits prescribed under the policy.

vi. The Corporation shall mention the penal interest in bold in the loan agreement.

vii. The interest re-set period for floating / variable rate lending would be decided by the Corporation from time to time, applying the same decision criteria as considered for fixing of interest rates.

viii. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be decided at the time of sanction of a credit facility. Specific terms in this regard would be addressed through the relevant loan credit policy.

ix. Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the repayments towards principal dues would be made available to the customer.

x. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

xi. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

xii. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Corporation wherever considered necessary.

xiii. Besides the base charges, the Goods and Service Tax (GST) would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard shall be incorporated in the loan agreement. These charges shall be decided upon collectively by the management of the Corporation.

xiv. Interest rate models, base lending rate and other charges, and their periodic revisions are made available to all the customers through periodic updating of information published in website prior to entering into an agreement with customers. KSIDC may provide them with statement of charges and interest and address their queries and questions on the same, to their satisfaction. The concerned loan officers shall ensure rates of interest and applicable charges are explained clearly and transparently to the people who may be interested in availing assistance.

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xv. In case of staggered disbursements, the rates of interest would be interest rates according to the prevailing rate at the time of successive disbursements or as may be decided by the Corporation.

xvi. Claims for refund or waiver of such charges/ penal interest / additional interest would not be entertained by the Corporation and it is the sole and absolute discretion of the Corporation to deal with such requests on merit.

xvii. All other regulatory changes in this regard will stand updated in the policy from time to time.

VI. General

1. The following provisions shall apply to loans extended by the Corporation:

a) **Changes in Terms** – The Corporation shall give notice to the borrower in English language with an option to choose Malayalam of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. Further, any changes in the rate of interest shall be affected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Corporation.

b) **No Grace Period** - Interest will be payable by the customer / borrower on or before the due date stipulated there for in the loan agreement entered into by the customer / borrower with the Corporation. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same or the Sanctioning Authority agrees to provide such grace period to the customer / borrower, in writing.

c) **Moratorium for Principal Repayment** - Maximum moratorium shall be three years, from the date of first disbursement of loan or two years from the date of commercial operation, whichever is earlier. If required a higher moratorium could also be provided.

d) **Repayment Period**: (1) Generally the repayment period shall be 6 years after moratorium. However, in select cases up to 12 years is given. (2) In general, the principal repayment is in equal quarterly or monthly installments. Staggered payment may also be considered (i.e., lower amount during initial period and progressively increasing) in appropriate cases.

e) **Additional Interest and other Charges** - Besides the normal interest, the Corporation may also levy additional interest in the form of penal interest at a rate of 2% for any delay or default in payment of dues by the customer / borrower or additional interest on other facilities etc. The Corporation may also levy other financial charges including processing fees, upfront fees, cheque bouncing charges, pre-payment / foreclosure charges, RTGS or such other remittance charges,

commitment fees, charges for services like issuance of "no due certificate", security swap charges etc. The quantum of these additional rates of interest / financial charges will be determined by the respective functional / product heads of the Corporation and communicated to the customer in writing. While determining the quantum of these additional rates of interest / financial charges, market practices will be taken into consideration.

f) **Communication of Interest Rate to the Customer** – The Corporation shall convey in writing to the borrower in English language or Malayalam by means of a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower. The loan agreement shall expressly stipulate the penal interest chargeable for late payment / repayment of dues by the borrower, in bold. The apportionment of the principal and interest will also be communicated by the Corporation to the customer / borrower by way of the repayment schedule.

g) **Waiver of Additional Interest/ Financial Charges** – Requests by the customer for waiver of additional interest / financial charges would normally not be entertained by the Corporation and such waiver will be at sole and absolute discretion of the Corporation, exercised on a case-to-case basis.

h) **Annualized Rates** - The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

i) **Rebate** – Rebate at the rate of 0.5% shall be provided to customers who are prompt, i.e., loans under Standard Category in their payments at the half year end periodically. However, this may be withdrawn / modified by the Corporation from time to time, without any notice.

j) **Pre-Payment** - Pre-payment options shall be made available to the customer and the penalty payable for exercise of such option shall be specifically communicated to the customer.

VII. Corporation Website

This Interest Rate Policy shall be made available on the Corporation's website, or in the alternate, published in the relevant newspapers. Such information published on the Corporation's website or otherwise published shall be updated whenever there is a change in the rates of interest.

VIII. Amendments to the Interest Rate Policy

Amendments to this Interest Rate Policy will not be effective, unless amendments have been approved and authorized by the Board of Directors

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of the Corporation (or any Committee of the Board of directors of the Corporation duly authorized in this behalf).

The Corporation shall abide by this Interest Rate Policy following the spirit of the Interest Rate Policy and in the manner, it may be applicable to its business.

The Interest Rate Policy shall be reviewed on a yearly basis or as and when required.

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