

# **JAMMU & KASHMIR STATE FINANCIAL CORPORATION**

(Incorporated under the State Financial Corporations Act, 1951)  
(Central Act 63 of 1951)

**ANNEXURE –“ B”**

## **LOANING (AMENDMENT) POLICY 2017**

### **1. Introduction:**

The J&K State Financial Corporation was incorporated under State Financial Corporations Act, 1951 on 2<sup>nd</sup> December, 1959. The financial Corporation established under SFCs Act, 1951 have primarily been conceived as Regional Development Bank for accelerating industrial growth in the State by providing medium and long term financial assistance mainly to Small and Smaller of Medium Scale Industries.

The Corporation over a period of time while reviewing loaning policy covered other service sectors viz Tourism Sector, Transport Sector, other services like, Hospital/Nursing Homes/clinics, diagnostic centers, Real estate, commercial complexes, Industrial estates etc. also for providing financial assistance.

### **2. Definition**

In this policy unless the context otherwise requires:-

- 2.1** “Corporation” means the J&K State Financial Corporation established under State Financial Corporation's Act, 1951.
- 2.2** “SIDBI” means small Industries Development Bank of India.
- 2.3** “Board” means the Board of Directors of the Corporation.
- 2.4** “Executive Committee” means the Sub- committee ( Ex- Committee) constituted by the Board consisting of Managing Director as Chairman, the whole time directors and such other director as the Board may deem fit.
- 2.5** “Committee (B) shall replace the existing In House Committee. This Committee will comprise of Managing Director as Chairman, General Manager, Dy. General Manager HO, DGM/Chief Manager/ District Manager concerned District Head as Members.

- 2.6** Committee (A) headed by GM, Chief Manager(PFS) and the Concerned Branch Head and his/her 2<sup>nd</sup> in command as members of the Committee.
- 2.7** "Term Loan" means loan sanctioned by the Corporation for setting up of an industrial units Hotel or tourism related activity, Service sector project, acquisition of transport vehicles.
- 2.8** Working Capital Loan" means loan sanctioned by the Corporation for meeting long term/ medium term working capital requirements of the industrial units and Hotels.
- 2.8.1** "Short terms Loan" means loan sanctioned by the Corporation for meeting the short term requirement of funds for working capital purposes due to peak seasons for fulfillment of specific order/ job enhancement of working capital limits pending with the Banks.
- 2.8.2** "Consortium Financing" means joint financing by a group of financial institutions where the major financing agency acts as a leader. The charge on assets created will be shared on pari-passu basis.
- 2.8** "Unsecured Loan" means such loan which is not backed by any security. In case it forms one of the means of finance, the loan shall be interest free and non-refundable during the currency of the loan of the Corporation.
- 2.9** "Refinance Rate" means the rate of interest on funds through refinance from SIDBI /LOC/ loan from any other Bank / Financial Institutions which will be available to the Corporation against loan sanctioned.
- 2.10** "Refinance linked interest rate means the rate of interest on funds through refinance from SIDBI or any other source plus the spreads of the Corporation over & above refinance rate.
- 2.11** "Bank Rate" means the interest rate equivalent to the spread of the Corporation plus refinance linked interest rate.

### **3. Objectives**

The Corporation has been established for promotion of industries by providing financial assistance to entrepreneurs in industrially backward state of Jammu and Kashmir. The main objectives of the Corporation are:-

-To provide term loan to any concern engaged or to be engaged in :-

- i.** the manufacture, preservation or processing of goods;
- ii.** mining or development of mines;
- iii.** the hotel industry;
- iv.** the transport of passengers or goods by road or by water or by air( or by ropeway or by lift)
- v.** the generation or distribution of electricity or any other form of power;
- vi.** the maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors;
- vii.** assembling, repairing or packing any article with the aid of machinery or power;
- viii.** the setting up or development of an industrial area or industrial estate;
- ix.** fishing or providing shore facilities of fishing or maintenance thereof;
- x.** providing weigh bridge facilities;
- xi.** providing engineering, technical, financial, management, marketing or other services or facilities for industry;
- xii.** providing medical, health or other allied services;
- xiii.** providing software or hardware services related to information technology, telecommunications or electronics including satellite linkage and audio or visual cable communication;
- xiv.** setting up or development of tourism related facilities including amusement park, convention centre, restaurant, travel and transport ( including those at airports), tourism service agencies and guidance and counseling services to the tourists;
- xv.** construction;
- xvi.** development, maintenance and construction of roads;
- xvii.** providing commercial complex facilities and Community Centres including conference halls;
- xviii.** floriculture;
- xix.** tissue culture, fish culture, poultry farming, breeding and hatcheries;

- xx. service industry, such as altering, ornamenting, polishing, finishing, oiling, washing, cleaning or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal;
- xxi. research and development of any concept technology, design, process or product whether in relation to any of the matters aforesaid, including any activities approved by the Small Industries Development Bank of India ;or
- xxii. such other activity as may be approved by the Small Industries Development Bank India;

#### **4 (A). LIMIT OF ACCOMMODATION**

With a view to accelerate industrial development /growth and provide self employment and further employment opportunities to skilled and semi skilled persons of the State, the Corporation provides financial assistance to prospective and existing entrepreneurs for implementation of conceived projects, improvement/expansion in existing units with total outstanding against that concern/entity in respect of all such arrangements together with the amount of the face value of the shares and stocks of that concern whether subscribed or agreed to be subscribed and the outstanding liabilities on account of under writing agreement and the deferred payments guarantee in respect of all types of credits/ liabilities in respect of following sectors not exceeding:

- i. Rs. 5.00 crores in respect of industrial units promoted by Private/Public Limited Companies, Corporations established by or under any other law, or Co-operative Society registered under the Co-operative societies Act 1912 or any other law relating to Co-operative societies for the time being in force; and
- ii. upto Rs. 2.50 crores in any other case:-

#### **B). LIMIT (AMENDED)**

As per circular Nos. SIDBI No.7172/DFID/Ref/Policy dated 19.3.2010 issued by the SIDBI, the SIDBI, in order to encourage MSMEs to Corporatize their establishments and to ensure faster credit delivery to MSME from SFCs, has decided, in terms of proviso to section 26 of the SFCs Act, to permit SFCs to

provide enhanced assistance to industrial units upto Rs. 10 crore in case of Corporation or a company or co-operative society under section 26(i) and in any other case upto Rs. 2 crore under section 26(ii).

In view of the enhancement of limit in accommodation U/S 26 of SFCs Act, to enlarge the area of operation revised limit of accommodation (financial assistance) from the Corporation as approved by the Board of Directors of the Corporation at its meeting held on 01.09.2010 is as under:-

- a. Upto Rs. 10.00 crore in case of Corporation, company and Co-operative society.
- b. Upto Rs. 2 crore in respect of proprietary/partnership concerns/firm.

The upper limit as prescribed earlier for categories in industrial and service sectors is dispensed with.

### **C. TYPE OF LOANS**

#### **I. Industrial Sector**

Term loan to industrial units shall be considered for sanction on insisting Debt equity ratio as under:-

- |                                   |     |              |
|-----------------------------------|-----|--------------|
| a) Composite Loan upto Rs.25 lakh | 3:1 | (75% : 25%)  |
| b) Loan exceeding Rs. 25.00 lakh  | 2:1 | (66% : 34% ) |

#### **II. SERVICE SECTOR**

##### **a. Hotels and Restaurants:**

	<u>Upto</u>	
<ul style="list-style-type: none"> <li>• For construction of Hotel/Restaurant structures, house boats, site development including lands and sanitary and electric fittings etc.</li> </ul>	2:1	66% : 34%
<ul style="list-style-type: none"> <li>• For acquisition of other inputs, like furniture, beddings, plant and machinery, Misc.fixed assets etc.</li> </ul>	1:1	(50%: 50%)
<ul style="list-style-type: none"> <li>• Hospitals/Nursing Homes/ Diagnostic clinic/Centers etc.</li> </ul>	2:1	(66%:34%

• -Loans upto Rs. 50.00 lakhs	3:1	(75%:25%)
• -Loans exceeding Rs. 50.00 lakhs	2:1	(66%:34%)

**b) SMALL LOAN SCHEME (DETAILS HIGHLIGHTED IN ANNEXURE A)**

**1. TRADING/BRANDING**

**2. HORTICULTURE/AGRICULTURE**

**3. PROFESSIONALS**

**C) REAL ESTATE (DETAILS HIGHLIGHTED IN ANNEXURE-B)**

**III. TRANSPORT SECTOR**

For acquisition of all types of vehicles such as:-

	<u>Upto</u>	
- Trucks ,Buses, Mini Buses/ Matador's (Chassis) Tankers, Tippers of Tata make	3:1	(75%:25%)
- Taxi cars of Ambassador, Maruti Van, Gypsy, Indica, Mahindra, pick up vans, Three wheeler (7 passengers) etc.	3:1	(75%:25%)
- JCB ( Excavator with loader etc)	2:1	(66%:34%)
- However for fabrication of body on Bus/Truck/Mini Bus/Tanker	1:1	(50%:50%)

**5. SECURITY**

**A. PRIMARY**

The primary security against term loan from the Corporation shall be by way of:-

- Assignment of lease hold rights in land ( In respect of lease hold land);

- First legal mortgage over land ( free hold land), factory buildings including site developments, plant and machinery and other Misc.fixed assets;
- Hypothecation charge over moveable assets viz stocks in process, finished and semi finished goods etc; and on such assets can be in respect of the bank granting Working Capital. facility to the unit.
- Hypothecation charge over transport vehicle, House bouts.

### **B. COLLATERAL SECURITY (Amended)**

In addition to the primary security, loans granted in industrial and service sectors, invariably, are secured collaterally by way of first legal mortgage over landed property with clear marketable title on slabs of loans as under:-

a.	Loans upto Rs. 2.00 lakh	No collateral security	
b.	Loans upto Rs. 10.00 lakh	40% of the loan amount.	} or 100% of the value of Plant and machinery whichever is higher
c.	Loans exceeding Rs. 10.00lakh	30% of the loan amount.	

### **Transport Sector and Excavators/Loaders etc.**

a	Loans upto Rs. 2.00 lakh	No collateral security
b	Loans upto Rs. 9.00 lakh	FDR @10% of the loan amount duly pledged to SFC with a minimum of Rs. 25000/- & maximum of Rs. 75000/-
c	Loans exceeding Rs. 9.00lakh	Collateral in the shape of immovable /movable property like vehicle, machinery, of the value of 40% of the loan. OR A third party guarantee (in addition to the guarantee by two track record to be certified as such by the officer in charge in LBOs or Dos. Alternatively guarantee of an employee of the Central /State Govt., or any Central /State PSU with service tenure of more than 5 years shall be obtained And;  FDR as collateral security of equal to 15% of the loan amount. Or Pledging of insurance

		policy with a realizable value equal to above; OR Combination of C+D covering the requisite security amount.
d.	Loans beyond Rs. 15.00 lakh	Collateral security in the shape of immovable property only ( land, building) for a value of not less than 60% of the loan amount.

To enlarge the area of operation of the Corporation it is prescribed that the proposals where cost of land and or existing assets excluding plant and machinery is quite substantial to meet the requirements of additional security to the stipulated extent, this condition may not be insisted on in such cases.

The necessary papers/documents/title deeds in respect of land free from all encumbrances shall have to be deposited by the unit holders with the Corporation. On conclusion of mortgage transaction the charge held by Corporation on mortgaged properties shall also be endorsed thereupon with the Revenue and other designated authorities in their records.

In case of lease hold land, the lease agreement should provide for tenancy for a period of 25-30 years with permission to lessee to mortgage, assign the lease hold rights on the land to the Corporation with further powers to the Corporation to transfer said leased hold rights to a third party in the event of foreclosure. The lease deed should further provide that in case lessee commits defaults in payment of dues of the Corporation or violates any provision of the mortgage deed to be executed by the lessee in favour of the Corporation and the Corporation transfers the lease hold rights to a third party in exercise of its powers U/S 29 of SFCs Act or any other law irrespective of the facts that whether lease period has expired, in that eventuality the lessor shall be bound either to execute fresh deed or extend lease period as the case may be in favour of the person/party in whose favour such lease hold rights have been transferred and under the terms and conditions as shall be mutually agreed upon by the lessor and that such person/party i.e transferee.



## **6. GUARANTEE**

The loan sanctioned by the Corporation shall be guaranteed by the promoter(s)/promoter directors of Pvt./Public limited Company/Trustees and Executive Members of co-operative societies Or societies registered under relevant law in the state in their personal capacities.

The loans in respect of all constituents shall additionally be guaranteed by a person (two persons i.r.o. transport sector) of repute in the market, having sound financial background and acceptable to the Managing Director of the Corporation. The guarantee shall be joint and several.

## **7. APPLICATION FEE/INVESTIGATION FEE**

The Corporation shall charge an application fee of Rs. 500 and investigation fee of Rs. 500/- per application. The application fee shall have to be deposited with the Corporation against proper receipt at the time of issue of check list of formalities and Loan Application Form and shall be non-refundable.

## **8. PROCESSING FEE (Amended)**

The loaning policy at present prescribes a processing fee (non-refundable) @ 1% of the sanctioned amount to be deposited at the time of acceptance of terms and conditions of sanction of loan. The Corporation has received representations from various quarters for reduction in the processing fee which is stated to be on higher side. The fee structures is now prescribed as under:-

Loans upto Rs. 2 lakhs	No processing fee
Above Rs. 2.00 lakh and Upto 50 lakhs	0.5% of the sanctioned amount.
Above 50 lakhs to 2 crore	Upto 50 lakhs as above 0.25 % thereafter
Above 2 crore to 10 crore	Upto 2 crore as above 0.15% thereafter.

## **9. LEGAL FEE**

Legal fee shall continue to be charged as per already approved schedule of the Corporation.

## **10. RATE OF INTEREST**

The Corporation shall charge interest on loans as per following structure:-

- 3.5% (spread) over and above refinance rate of interest from SIDBI /any other Bank/ Financial Institution made available to the Corporation from time to time; or a ratio arrived at after assessing the risks associated with the project.

- 2.5% ( spread ) over refinance linked interest rate in case refinance from SIDBI /any other Bank/ Financial Institution is not available.

### **10 (A) Penalty:**

The interest chargeable by the Corporation, on the loans granted by it, is linked to the refinance rate viz 3.5% over and above the rate charged by the SIDBI/any other Bank/ Financial Institution irrespective of the availability of such refinance. The accounts in default are liable to pay additional interest as penalty for the period of default ranging from 2% to 5% depending on the age of default. To be more competitive in the market and to allure the genuine borrowers it is proposed to allow some incentives to the good entrepreneurs by granting rebate of ½% p.a to regular accounts alongwith regular renewal of insurance policies The rebate, however, will be passed on at the time of close of financial year.

However, the accounts in default shall be subjected to penalty of additional interest as under:-

- a) Penal intt. @ 1% p.a for default upto 6 months.
- b) Penal interest @ 2% p.a for default for a period of more than 6 months and upto 2 years.
- c) 4% p.a for default for a period more than 2 years.

The penal interest will, however, be charged over and above normal rate of interest for the period of default and on the amount of default.

The grace period of 30 days shall be allowed from the due date and in case the borrower fails to deposit due principal installment or interest amount within the grace period, penal interest shall be charged from the due date of principal/interest.

## **11. PERIODICITY FOR PAYMENT OF INTEREST AND PRINCIPAL**

The borrower shall be required to pay interest on loan at quarterly rests on 15<sup>th</sup> of June, 15<sup>th</sup> of September, 15<sup>th</sup> of December and 15<sup>th</sup> of March of every financial year. The repayment of principal amount shall be reckoned on the basis of repayment schedule as per the documents executed and shall vary from case to case upto a maximum of '10' years including moratorium. However, the principal amount shall be repayable at quarterly intervals after expiry of moratorium period of 1 to 2 years. The moratorium shall be determined depending upon the period required for implementation of the project which may also vary from case to case. However, in case of composite loans repayment of loan shall be between 3 years and 7 years with an initial moratorium of one year, both for interest and principal depending upon the cash generations of the unit.

**Working Capital Loan/ Short term loan: Interest along with repayment of principal shall be repayable on quarterly basis with no moratorium period. The loan as such shall be extended on revolving basis depending upon repayment behaviour of the promoter.**

## **12. Sanctioning authority (Amended)**

Keeping in view the revision in the limit of accommodation, the powers to sanction of loans have been delegated to various Committees/authority. The dispensation at different levels is given, as under:-

<b>Authority</b>	<b>Proposed</b>
Board of Directors	Above Rs. 5 crore upto Rs. 10 crore
Executive Committee	Above Rs. 3 crore up to Rs.

	5.00 crore.
Committee (B) shall replace the existing In House Committee	loans beyond Rs.1.00Crore to Rs.3.00Crore.
Managing Director	Above Rs. 49.00 lakh to 1Crore
Committee (A) headed by GM, Chief Manager (PFS) and the Concerned Branch Head and his/her 2 <sup>nd</sup> in command as members of the Committee.	Loan beyond Rs. 15.00 lakh to Rs.49.00 lakh.
District Officers	Upto Rs. 9.00 lakh [ in Transport Sector only]
DGMs (Large Branch Office-S/J)	Upto 15.00 lakh [ in Transport Sector including JCB cases]

The field offices shall sanction loans strictly in accordance with the approved targets and sanctions beyond the sectoral targets need to be invariably referred to the headquarters for sanction, or otherwise, by the Managing Director of the Corporation.

The above delegation to the field officers shall be subject to the following:

1. A copy of the sanction note should be submitted by the Dos/LBO(S) to the Head Office, Chief Manager(MIS), on the date of sanction itself accompanied by the following certificate/s:
  - a) Certified that all the institutional formalities precedent to sanction of loan have been fulfilled.
  - b) Certified that necessary verifications in the field, as mandated, have been carried out to the satisfaction of the sanctioning authority.

2. The disbursing authority shall be responsible for recovery of loan and in case of persistent default, he /she shall be liable to be called for recovery irrespective of where he/she is posted at that time.

The sanctions granted by officers of the Corporation shall have to be placed before Board of Directors for noting. The sanctioning authority shall be the authority to relax any condition governing the sanction of loan, keeping in view the interest of the Corporation.

#### **14. TERMS AND CONDITIONS GOVERNING SANCTION OF LOAN**

The sanction of loan granted by the competent authority shall be conveyed by the concerned branch to the borrower through Memorandum of Terms and Conditions governing the sanction of loan in triplicate within one week from the date of receipt of communication of such sanction.

The borrower/s while apprising about the sanction of loan shall be advised to return two copies of Memorandum of Terms and Conditions governing sanction of loan duly signed on every page alongwith ( resolution passed for unconditional acceptance by the private/public limited company, co-operative societies, society registered under any law) and legal fee of Rs. 1,500/- for deferring the title verification fee etc.

#### **15. DOCUMENTATION**

##### **THE PROCESS FOR LEGAL DOCUMENTATION SHALL INVOLVE FOLLOWING:-**

- Scrutiny of all revenue papers relating to the properties in respect of primary and collateral securities by the legal Advisor on the penal of the Corporation.
- Subject to satisfactory title verification report from legal advisor, the case shall be processed by the legal section for submission to the Managing Director to seek approval with regard to acceptance of title, conclusion of mortgage transaction, acceptance of additional guarantee and

release of consideration money of Rs. 10,000/- for conclusion of mortgage transaction in the court of law.

- On approval as mentioned above legal documents connected with the securities etc. shall be prepared by legal section for submission / approval by DGM/CM/DM concerned.

- After conclusion of mortgage transaction the concerned office shall ensure that the charge of the Corporation over the mortgaged assets is recorded in the revenue record/competent authority whereafter the mortgage/ legal documents shall be kept in safe custody with proper entry in the document register.

#### **16. DISBURSEMENT OF LOANS (Amended)**

The Corporation shall consider release of disbursement after the borrower has invested his/her contribution in its entirety (100%) towards creation of fixed assets viz acquisition of land, construction of site development and factory structures. The Corporation shall whereafter release loan component on the basis of Balance sheet prepared by Chartered Accountant, furnishing of bills and other related documents etc as sought from time to time and verification of progress achieved on both financial and physical angles by the Corporation. No deviation shall be allowed without prior permission of competent authority. All the payments with regard to purchase of plant and machinery items including misc. fixed assets shall be made to the genuine supplier by the Corporation. No advance payment made to the plant and machinery suppliers shall be taken into account while arriving at eligible disbursement until and unless the advance so made to the supplier has prior consent of the Corporation.

The disbursement of Transport Loans shall continue to be made by the officers Incharge of District Offices. However, disbursement of loans in other sectors is proposed to be revised as under:

1. First disbursement of loan, irrespective of amount,      Managing Director

## 2. For 2<sup>nd</sup> and subsequent disbursements:

Per case\per month

- |                        |  |
|------------------------|--|
| - upto Rs. 50,000.00   | SBO/District Manager(Heading the District Office-category-II & III Branches) |
| - upto Rs. 1,00,000.00 | Chief Manager (Heading the District Office-category I Branches)              |
| - upto Rs. 3,00,000.00 | GM/DGM, Large Branch Offices.  |

Disbursement beyond 50,000/- in respect of Offices falling in category II & III branches, beyond Rs. 1.00 lakh in respect of category I branches and beyond Rs. 2.00 lakh in respect of LBO's headed by DGM:..... Managing Director

The above delegation to field officers shall, however, be subject to the following:

1. That disbursement shall be made strictly in accordance with rules and certificate to that effect alongwith the sanction note shall be submitted by the Dos, LBO's to the Chief Manager(MIS)
2. Disbursement beyond the sanctioned limit shall be submitted to the competent authority and no willful effort shall be made by field offices to tailor the disbursement to suit their competence/jurisdiction.
3. The disbursing authority shall be responsible for recovery of loan and in case of persistent default he/she shall be liable to be called for recovery irrespective of where he/she is posted at that time.

Project implementation is as per approved schedule and without any cost/time over run.

### ➤ **The KYC norms**

Following documents are to be obtained at the time of entertainment of the case:

- i. Detailed resume of proprietor/Partners/directors indicating complete residential address with land mark, house number, name of Mohalla/Colony/Village etc. land line number, cell

number, email address (if any), and certificates in support of experience, age and qualification.

- ii. Statement of Assets and Liabilities of promoter/partners/directors and guarantors.
- iii. Statement of affairs-balance sheet with profit and loss account of existing associated concerns(if any)for the last three years.
- iv. Eight photographs each of proprietor/partners/directors duly attested by gazette officer/Bank Officer/ an officer of the Corporation not below the rank of Assistant Manager;
- v. Income Tax clearance certificate as on a recent date;
- vi. PAN card in respect of borrower and the guarantors.
- vii. Identity proof of the proprietor /partners /directors and guarantors. Self attested copies of any one (or all of them)of Voter card/Adhar card/Passport/Identity card/Driving license.
- viii. Attested copies of the State Subject.



