

**ORISSA STATE FINANCIAL
CORPORATION (OSFC)**

**SALIENT FEATURES
OF
LOAN POLICY FY 2011-12**

MAJOR MODIFICATIONS TO LOAN POLICY FY 2010-11 AND SALIENT FEATURES OF LOAN POLICY FY 2011-12

The major modifications and salient features of the Loan Policy FY 2011-12 are as under:-

- (i) **The fees for the application form of `500/- has been waived** and the same can be issued/made available to the intending applicants, free of cost. Alternatively, the applicants may download the application form from the website of the Corporation.
- (ii) The eligibility criteria for the promoters/prospective customer and the eligibility activities for projects have been broad based.
- (iii) The eligible activities have been divided into three categories i.e. Thrust Category, Selective category and Prohibited category.
- (iv) Potential cases of OTS other than settlement under OTS-07 Scheme and MOD-OTS-07Scheme are included under eligibility criteria for finance subject to fulfilling specified norms.
- (v) Finance to Road Transport Operators will be encouraged selectively.
- (vi) Sectoral Exposure limit is specified.
- (vii) Incentive to proven customers under Privileged Customer Scheme introduced.
- (viii) Loan on softer terms to the borrowers with proven track record encouraged.
- (ix) Security norm for customers with proven track record is relaxed.
- (x) Provision of seeking prima-facie clearance from Project Screening Committee in eligible cases is dispensed with.
- (xi) The upfront fee would be collected after sanction of the loan by the appropriate authority as per Delegation of Power (DoP) but before issue of Letter of Intent (LoI).
- (xii) The Minimum loan limit has been reduced from `10.00 lakh to `5.00 lakh.
- (xiii) Quicker appraisal through state-of-the-art IT-enabled CART Software.
- (xiv) Emphasis laid on monitoring of the projects.

The Corporation remained away from the business of lending from 2004 to 2009 during which most of the good and valued customers of the Corporation migrated to banks and other FIs. The Loan Policy for the FY 2009-10 was operative for a very short period and the Loan Policy for FY 2010-11, which laid emphasis on finance to standard accounts, did not yield satisfactory response. There was need to re-orient strategies without losing focus on customer needs. Loan Policy for FY 2011-12 aims at broadening the loan eligibility base, relaxing credit norms and doing away with lengthy, cumbersome procedures.

1. Eligible Borrowers

Based on past experience and response of existing and new entrepreneurs, the Corporation intends to enlarge the eligible base of prospective borrowers so as to mobilise a good number of credit proposals.

1.1 Loan to present & past customers of OSFC

- i. Existing borrowers coming under standard category.
- ii. Past Borrowers who have satisfactory repayment track record are eligible for finance for the purpose of expansion/modernization/ technology up-gradation of existing units or for setting up of new viable projects.
- iii. The promoters who have closed their loan accounts under OTS Scheme with the Corporation other than OTS-07 and Modified OTS-07 Schemes of OSFC and/or other FIs or banks under their OTS Scheme, are also eligible for finance provided they satisfy the following requirements.
 - The unit has positive net worth and no accumulated loss.
 - The unit has been running profitably in last three financial years.
 - Cooling period of at least three years has passed from the date of issue of No Due Certificate by the FI(s)/Bank(s), with whom the loan dues has been settled under OTS scheme(s).
 - The loan dues has been settled under OTS scheme(s) only by promoter(s) but not by the guarantor(s)/mortgager(s).
 - The promoters/units are not in default in payment of the dues of any F.I./Bank

1.2 Loan to new Entrepreneurs

- i. Promoters having loan from other F.I.s/Banks and their account being regular, are eligible for finance for expansion/ modernization/ diversification of existing viable units or for setting up new viable projects in the State of Orissa.
- ii. Promoters, traders or businessmen, with good track record and satisfactory net worth, who have not availed any institutional credit but desirous of setting up MSME.
- iii. A fleet owner (who owns at least six vehicles) with good track record is eligible for finance for adding vehicle(s) to the fleet.

- iv. Financial assistance can be considered for road transport operators provided:
- a) They have equal number of loan free vehicle(s), not more than 5 years old, against number of vehicles to be financed.
 - b) The loan free vehicles would be hypothecated to the Corporation as security along with the financed vehicle(s) and the Overall Asset Coverage shall be 200% of the loan,
 - c) They should have valid route permit to ply the vehicle,
 - d) They have good repayment track record with OSFC/ Banks/ F.Is.,
 - e) They must have satisfactory net worth,
 - f) They must not have defaulted to any bank or FIs for any other loan,
 - g) The loan component should be at least `10.00 lakh.
 - h) They have not cleared their dues under OTS-07 or MFD-OTS-07 Schemes of the Corporation. However, transport operators who have cleared their dues under other OTS Scheme of the Corporation are eligible 3 years after issue of No Due Certificate.

2. ELIGIBLE ACTIVITIES

The SFCs Act, 1951 and SFCs (Amendment) Act 2000 prescribes broadly the types of activities which are eligible for financial assistance from the Corporation. The Corporation has also envisioned certain activities which are to be considered for finance in FY 2011-12 depending on customer credentials and project viability.

The activities which are eligible for financial assistance from the Corporation are grouped into two categories i.e. (i) Thrust category and (ii) Selective category. Ineligible borrowers and ineligible activities are listed in (iii) prohibited category and 10. Prohibitive business.

2.1 THRUST CATEGORY

- (i) Additional finance for Expansion/Modernisation/Diversification (E/M/D) of existing units coming under Standard category.
- (ii) Credit assistance for E/M/D of existing units or setting up of new units by promoters who have cleared loans of the Corporation/ Banks/ FIs.
- (iii) Viable projects having adequate working capital arrangement and firm market tie-up with leading market players,
- (iv) Hotels at strategic locations and places of tourist importance.
- (v) Hospital and Nursing Homes
- (vi) Ancillary and downstream units to mega projects
- (vii) Industrial cluster
- (viii) IT and ITES projects
- (ix) Food Processing units
- (x) Transport loans to fleet owners (fleet denotes minimum six vehicles)
- (xi) Export oriented units.

2.2 SELECTIVE CATEGORY

- (i) Transport loans to road transport operators meeting eligibility criteria.
- (ii) Rice Mills (Automatic)

- (iii) Fly Ash Bricks
- (iv) Commercial Complexes & Convention halls
- (v) Stone Crusher (only to promoters who have quarry lease)
- (vi) Financing of imported/ indigenous second hand machinery: As certain projects are being set up by some of the MSME units with the use of second hand/refurbished machinery, purchase of such machinery could be allowed very selectively as part of funding of a project, on case to case basis, by the respective sanctioning authorities with proper justification for acquiring the second hand/refurbished machinery. In this regard, a Chartered Engineer's certificate certifying the functioning/performance, residual life of minimum 10years and value of machinery would be taken.

2.3 PROHIBITIVE CATEGORY

- (i) Borrowers who have settled the dues of the Corporation under OTS-07 and MFD OTS-07 Scheme,
- (ii) Restricted list of SIDBI,
 - (a) Chemical Dyes & Dye intermediate
 - (b) Industrial Oxygen
 - (c) Distilleries
 - (d) Industries consuming/producing ozone depleting substances viz: Chlorofluorocarbons(CFCs), Halon Carbon tetrachloride, Methyl Chloroform, Hydrobromofluorocarbons(HBFCs), hydrochloro fluorocarbons(HCFCs), Methyl Bromide, Bromochloromethane (BMC) etc.
- (iii) Projects proposed to be set up with obsolete machinery/technology
- (iv) Obsolete category identified by Govt. and any other activity prohibited/to be prohibited by Govt. from time to time.
- (v) Activities not covered under 2.1 and 2.2

3. Application form fee -Fee of `500/- is waived for FY 2011-12

4. Loan Limit

- (i) Minimum – ` 5.0 lakh
- (ii) Maximum-` 1000 lakh (to Corporations/Companies/Co-operative Societies)
- (iii) Maximum-` 400 lakh (to proprietorship concerns/partnership firms/trusts)

5. Consortium/Joint Finance

In select and bigger projects with high loan requirements, OSFC shall share the loan with SIDBI and/or Bank in joint financing arrangement for diversification of risk. All Joint finance cases shall be governed strictly by the terms and conditions, credit norms and modalities contained in respective joint finance agreement with co-sharing FI or Bank.

6. Loan period, Moratorium

- (i) The loan shall be payable in monthly/quarterly installments within a period of 3 years to 8 years (Including moratorium of 2 years max.) depending on viability and cash flow.
- (ii) The moratorium and repayment period shall start from the date of first disbursement of loan. The due date for payment of the installments shall be 6th of every month in case of monthly installment and 6th of March, June, September and December quarter in case of quarterly installments.
- (iii) Interest shall be payable monthly.

7. Processing Charge -The processing charge @ 0.50% of the loan applied subject to a maximum amount of `0.50 lakh shall be deposited in shape of D.D./Cash after submission of loan application along with all required documents as per the checklist but before sanction.

Up-front fee- Non-refundable Upfront fee @ 0.50% of the sanction amount shall be deposited at the time of issue of sanction order.

8. Security and Personal Guarantee

8.1 Security:- First charge on the financed assets or first charge on pari passu basis on the joint financed assets (+) collateral security

8.2 Personal Guarantee:- Personal guarantee of the promoters/Directors/Partners shall be taken invariably in all cases and third party guarantee may be insisted upon in case of proprietorship and partnership entities.

8.3 Desirable Overall Asset Coverage

Minimum 200% of the loan amount relaxable to 150% minimum.

9. Rate of Interest

9.1 Rate of Interest shall be fixed on risk-based rating of the project which will vary from 13.50% p.a. to 15.50% p.a..

9.2 REBATE @0.50% TOWARDS INTEREST DUES SHALL BE ALLOWED AGAINST PROMPT PAYMENT/TIMELY PAYMENT OF PRINCIPAL AND INTEREST DUES. NO OTHER DUES SHOULD REMAIN PAYABLE ON THE DATE OF GRANTING REBATE.

10. Debt Equity Ratio (DER) - 2 : 1 (Maximum)

11. Debt Service Coverage Ratio (DSCR)

DSCR of 1.50:1 and above shall be considered acceptable.

12. Promoter's Contribution - Minimum 34 % of Cost of project.

13. Margin of Security - Minimum 30% on the financeable fixed assets

14. Period for processing of loan applications received with complete documents and information

Normally 30-45 days but not exceeding 90 days.

15. SECTORAL EXPOSURE NORMS (Sanctions wef April 2011)

Total annual sanction to any particular sector is subject to sectoral limit/cap as per Loan Policy.

16. Ceding of 2nd charge in favour of other FIs/Banks

2nd charge over the mortgaged asset of the borrower shall be given in favour of other Bank/FIs desirous of providing working capital or any other loan for smooth running of the borrowers units. **However, second / subsequent charge shall be given on selective basis taking into account the repayment track record, adequacy of security etc.**

17. Working capital arrangement

- OSFC has made tie-up arrangement with Union Bank of India to facilitate sanction of working capital.

18. Other services

- OSFC is an agency of Government of Orissa for disbursement of subsidy.
- Preparation of project profiles for MSMEs
- Valuation of assets
- Conducting training programme for Entrepreneurship Development (EDP)
- Marketing of General and Life Insurance products
- Margin Money Assistance
- Seed Capital Assistance
- Soft Loan under Rehabilitation Scheme

19. How to apply

The loan application form along with guidelines and other requisites are available at website www.osfcindia.com and Branch Offices. The loan application complete in all respect, along with complete set of documents may be submitted at respective Branch Offices for further processing. Apart from setting up of new project, any interested entrepreneur may also contact the Branch Managers for purchase of existing taken over units on outright payment basis.

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OSFC LAUNCHES LOAN POLICY FY 2011-12

A CUSTOMER-FRIENDLY LOAN POLICY DESIGNED FOR MICRO, SMALL AND MEDIUM SCALE ENTERPRISES

SALIENT FEATURES OF LOAN POLICY FY 2011-12

1. **Objective-**

To broaden loan eligibility base, relax credit norms for enhancing credit flow to the MSME Sector and do away with lengthy, cumbersome procedures.

2. The fees for the application form of `500.00 has been waived.

3. **Loan to present & past customers of OSFC**

- i. Existing borrowers coming under standard category.
- ii. Past Borrowers who have satisfactory repayment track record are eligible for finance for the purpose of expansion/ modernization/ technology up-gradation of existing units or for setting up of new viable projects.

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8. Sectoral Exposure limit is specified.
9. Incentive to proven customers under **Privileged Customer Scheme** introduced.
10. **Loan on softer terms** to the borrowers with proven track record encouraged.
11. Security norm for customers with proven track record is relaxed.
12. The Minimum loan limit has been reduced from `10.00 lakh to `.5.00 lakh.
13. Quicker appraisal through state-of-the-art IT-enabled CART Software.
14. **Consortium/Joint Finance**
In select and bigger projects with high loan requirements, OSFC shall share the loan with SIDBI and/or Bank in joint financing arrangement for diversification of risk. All Joint finance cases shall be governed strictly by the terms and conditions, credit norms and modalities contained in respective joint finance agreement with co-sharing FI or Bank.
15. **Rate of Interest**
 - (i) Rate of Interest shall be fixed on risk-based rating of the project which will vary from 12.75% p.a. to 14.5% p.a. and rates are quite competitive.
 - (ii) Rebate @0.50% towards interest dues shall be allowed against prompt payment/timely payment of principal and interest dues. No other dues should remain payable on the date of granting rebate.
16. **Desirable Overall Asset Coverage**
Minimum 200% of the loan amount relaxable to 150% minimum.
17. **Working capital arrangement**
OSFC has made tie-up arrangement with Union Bank of India to facilitate sanction of working capital.
18. **Other services**
 - OSFC is an agency of Government of Orissa for disbursement of subsidy.
 - Preparation of project profiles for MSMEs
 - Valuation of assets
 - Conducting training programme for Entrepreneurship Development (EDP)
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For details please contact our Head Office Credit Department or our Branch Offices or visit our website at www.osfcindia.com.

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