

Loan Approval, Sanction, Disbursement, Repayment &

Accounting - Guidelines of KURDFC

Chapter – 1

Introduction

Kerala Urban Development Finance Corporation (KUDFC) was incorporated in 1970 as a non banking financial company to provide Loan Assistance to urban local bodies. Based on the recommendation of the Rural – Urban relationship committee constituted for the formation of local finance corporation in the state, from 25/5/2004 onwards, the facilities has been extended to Grama Panchayats and accordingly the name of the company was changed to Kerala Urban and Rural Development Finance Corporation (KURDFC). This was registered under the companies Act 1956 and was regulated by Reserve Bank of India (RBI) as an NBFC. The share capital was contributed by Govt. of Kerala and Local Self Govt. Institutions. The main activity of the Company is to provide loan assistance to various LSGs in the State of Kerala for their developmental activities and thereby to increase the Non – Tax revenue of local bodies. KURDFC is playing a significant role as a state level dedicated infrastructure financing agency that would support both Govt. of India (GOI) and Govt. of Kerala’s (GOK) objectives and policies for the Urban and Rural Sector.

I. Profile of the company

- (i) KURDFC is a public sector company; more than 90% of its share capital is contributed by Government of Kerala (GOK).
- (ii) KURDFC is registered as an NBFC (Non-Banking Finance Corporation Ltd.) regulated and controlled by RBI.

- (iii) Kerala Urban Development Finance Corporation Limited was established in January 1970 as a private limited company.
- (iv) Subsequently it was converted into a public limited Company as KERALA URBAN AND RURAL DEVELOPMENT FINANCE CORPORATION (KURDFC) on 16th July 2004 and thereby extended its activities to the 3-tier Panchayats.

II. Vision and Mission of the Company

Vision

To facilitate Urban and Rural Sectors of the State for the developmental activities by adapting various innovative environmental projects in association with all Local Self Government Institutions in Kerala.

Mission

Provide financial assistance by way of loans and advances to Urban and Rural Local Bodies in the State for their developmental schemes besides acting as a nodal agency for providing guidance to local bodies in developing such schemes including social sector.

III. Objectives

The main objectives of the company are:

- To provide financial assistance to LSGs for their developmental activities.
- To provide Technical or any other assistance and guidance to LSGs to develop such projects
- To improve Infrastructure facilities and help to create durable public assets and quality-oriented services in Urban and Rural areas.
- To provide assistance and guidance to LSGs for improving their performance in all levels.
- To undertake the schemes in collaboration with the LSGs.

- Promoting resource generating schemes for the LSGs to improve their own revenue.
- Act as an (SPV) Special Purpose Vehicle for all the projects which is undertaken by Govt. of Kerala.

CURRENT BOARD MEMBERS

Chairman, KURDFC	-	Sri. Reji Zachariah
Managing Director, KURDFC	-	Sri. R.S.Kannan
Chairman, Chamber of Municipal Chairmen	-	Director
Urban affairs Director	-	Director
Chief Town Planner	-	Director
Chief Engineer, LSGD	-	Director
Representative from Finance	-	Director
Representative from LSGD	-	Director
Nominee of HUDCO	-	Director
Rural Director	-	Director
President Kerala Panchayath Association	-	Director

IV. Coverage

This scheme will cover to all the Local Self Government Institutions in the state of Kerala.

V. Schemes

Type of schemes

- (1) Remunerative
- (2) Non-Remunerative

1) Remunerative

Remunerative projects include projects promoting resource generating schemes to improve their own revenue like the Construction of Shopping Malls/Complexes, Bus Terminals, Markets, Convention Centers, Theatres, Provision of Tourist facilities etc.

2) Non Remunerative

Non remunerative projects include all other development projects of the LSGs that improve the infrastructural facilities but do not generate sufficient revenue for repayment.

Chapter – 2

Financial Assistance and Sanctioning

All the Local Self Government Institutions in Kerala can approach KURDFC for getting financial assistance for developing both Remunerative and Non-Remunerative project for which a DPR along with proper documents are to be submitted.

I. Detailed Project Report(DPR)

The Local body has to submit a DPR comprising all the works required for the successful completion of the project such as Civil work, electrical work, mechanical items, fire safety, waste management system etc. It shall contain the followings

- a. Estimate Report, Detailed Estimate and Site plan
- b. The assumption by the local body regarding the locational advantage of the use of building in this site with respect to the demand of the proposed usage and similar establishment nearby and the character of the Urban Centre in which the proposal is formulated.
- c. Population of the LSGI. (ward wise)

- d. Details of land with Survey No. village extend, approximate value of land, sketch, details of any liabilities etc.
- e. Details about the character of land at present.
- f. Other success stories of similar projects by LSGI (If any).
- g. Availability of building material from the locality
- h. Scope for pooling own funds for project development by LSGI.
- i. Implementation Plan
- j. Expected income/Deposit from the Project.
- k. Any other liabilities, attachments related to the project.
- l. Approximate distance of the project site from the Commercial Centre of the LSGI

II. Extent of finance

Financial assistance upto 90% of the total project cost (limited to 90% of the Technical sanction amount) will be funded by KUDRFC subject to the condition that funds will be released based on actual value of work done.

III. Security for loan

The loan shall be issued against the mortgage of the project property or any other property. If the mortgage is other than the project property the final evaluated value of that property by a Registered Valuer should be 125% of the total sanctioned loan amount based on the fair value of the land.

IV. Project Period

The project period will be, “the period required for the completion of the project”. The maximum project period shall be upto 3 years from the date of disbursement of the 1st installment.

V. Project Approval and Management Committee

The committee shall consist of The Managing Director, Accounts officer, Finance Manager and Town Planner/Project Engineer. A minimum of two committee members constitutes the quorum. The committee shall meet atleast twice a month.

Responsibilities of the committee include:

- Obtaining financial report from a professional agency regarding the financial feasibility of projects with loan amount more than Rs. 10 Crore.
- Scrutiny of applications received from LSGs and submit a report before the Board of Directors for approval.
- Scrutiny of requests for release of loan received from LSGs & recommend release of funds.
- Monitoring timely repayments.
- Monitoring of new and existing projects.

VI. Loan Sanction & Disbursement

On approval of the application by the management committee a sanction letter will be issued to the local bodies. The LSGs shall avail the first installment of the loan sanctioned within 1 year from the date of issue of sanction letter.

VII. Financing Pattern & Repayment Policy

- (i) The repayment of Principal loan will commence immediately after the project period. The principal amount will be repaid within 10 years excluding the project period. The

Principal and interest shall be paid on Equated Monthly Installment (EMI), payable before the 5th of every month to avoid penal interest.

- (ii) During the project period, the interest on loan shall due every month and it shall be remitted before the due date for not attracting penal interest. (The rate of penal interest is 2.5% p.a. apart from normal interest for delayed repayment)
- (iii) Rate of Interest will be fixed by the Board of Directors taking into consideration the Repo rates of RBI. Further, the Board should review the interest rates at least twice in a year i.e. in the first meeting after 1st of April and 1st October of each Financial Year.
- (iv) For all the Remunerative and Non Remunerative Schemes an Escrow Account shall be opened by the LSGs and a Tripartite Escrow Agreement shall be signed by the parties, which includes KURDFC (Lender), The LSGs (Borrower) and the Bank of the Borrower (The Escrow Agent).
- (v) Financial assistance will be provided to each LSGs depending upon the progress of work in various installments duly certified by the concerned Engineer and the Secretary of the LSG concerned.
- (vi) Disbursement of loan shall be subject to the availability of funds in the KURDFC and based on the recommendation of the Project Approval and Monitoring Committee.
- (vii) Prior intimation shall be made to the company by the LSGs before pre-closing the loan.
- (viii) In case of default in repayment of the loan for more than 3 months KURDFC shall initiate Revenue Recovery Steps under the provisions of the Kerala Revenue Recovery Act (Section 15 of 1968) in force and in such manner as KURDFC may deem fit.

VIII. Accounting of the Loan Repayment both Interest & Principal

The amount availed by the LSGs carry interest from the day of disbursement of first installment of loan. Simple interest is applicable to those paying their installments on or before due dates.

IX. Top-Up Loan on existing loan

An add-on facility of top-up loan or additional loan can be availed over and above the existing loan, subject to the following conditions :

- It will be treated as a new loan and all the requirements for sanctioning a new loan must be met while availing the same.
- A minimum of four years shall be completed from the date of disbursement of the first installment in the existing loan.
- No default in the loan repayment shall be made by the Local body during the said period.

X. Other Conditions

- The responsibility of implementing the project clearly vested with the concerned Local Body.
- The company neither have any liability nor any responsibility towards the contractors, any sub-agencies or parties involved in the implementation of the project.
- If there is any changes in plan submitted along with the proposal, prior sanction from KURDFC has to be obtained.
- The Board of Directors of KURDFC has the authority to relax all or any of the aforementioned requirements on a case-to-case basis, as it may deem fit.

Chapter – 3

Documents to be submitted

I. Documents to be submitted along with the DPR

- (i) Duly filled loan application form in the prescribed format duly signed by the Secretary of concerned LSGs.
- (ii) Copy of Building permit and approved plan.
- (iii) Resolution of LSGs for availing loan assistance from KURDFC and authorizing Secretary to execute the Agreement.
- (iv) Copy of Administrative Sanction
- (v) Copy of Technical Sanction (obtained from appropriate authority)
- (vi) Copy of last three years *Audited Financial Statements*.
- (vii) Projected Financials of the project for the entire repayment period.

II. Documents to be submitted while executing Agreement

- (i) Original document/ Award in case of land acquisition/ Title Deed.
- (ii) Section (3) order as per the Kerala local Authorities Loan Act-1963 obtained from Government (LSGD).
- (iii) Possession Certificate issued by the village officer concerned.
- (iv) Land tax receipt of the property.
- (v) Encumbrance certificate for the last 14 years.
- (vi) Fair Value Certificate of the land from a Registered Valuer.
- (vii) Related council resolution authorizing the secretary to mortgage the property specifying the description and survey nos.
- (viii) Resolution of LSGs agreeing the conditions of loan.
- (ix) All NOCs (No Objection certificate) required for the Project from Authorities concerned.

- (x) Latest Vikasana Rekha of the LSGI.
- (xi) The project shall be in accordance to the provisions of the Kerala Municipal building Rules 1999 / Kerala Panchayat Building Rules of 2011 (KMBR 1999 / KPBR 2011).

III. Documents to be submitted along with request for final installment

- i) A Completion Certificate from the Local Body duly signed by the Secretary and Engineer of the LSG concerned.
- ii) A stability Certificate from a competent Authority