



## **SCHEME FOR WORKING CAPITAL TERM LOAN**

### **PURPOSE:**

The scheme has been introduced for the following purposes:

- Financing working capital term loan to MSME sector.

The working capital assessment shall be made under Turnover Method wherein 20% of the projected turnover will be the maximum eligibility for finance and 5% of the turnover be the minimum margin of the borrower.

### **ELIGIBILITY:**

- ❖ New loans requesting Term Loan and Working Capital from the Corporation.
- ❖ All units in SME sectors which availed only Term loan from the Corporation having good track record and no default to the Corporation.

### **LIMIT OF ASSISTANCE:**

- i) **New Unit:** The maximum eligible amount of term loan for working capital shall be calculated so as to ensure that the enterprises are funded to the extent of working capital requirement upto optimum capacity level.
- ii) **Existing Unit:** It will be calculated on the basis of meeting the gap in existing working capital and increase thereof consequent upon taking up technology upgradation, modernization, expansion or diversification etc.

Minimum Limit	: ₹ 2.00 lacs
Maximum Limit	: ₹ 100.00 lacs (in case of Proprietor/Partnership concern, Co-Operative societies etc. )
	: ₹ 200.00 lacs (in case of Company)

The total amount of loan for Term Loan and Working Capital Term loan shall not exceed ₹4.00 Crore for Proprietorship/Partnership concern/Cooperative Societies and ₹ 10.00 Crore for Company.

### **PROMOTERS' CONTRIBUTION:**

Minimum promoters' contribution shall be 25% for total loan (term loan plus working capital) upto ₹10.00 lacs (DER: 3: 1) and 33.33% for total loan above ₹10.00 lacs (DER 2:1).

### **RATE OF INTEREST:**

The present rate of interest shall be 14%. The interest shall be charged as per risk rating of the concern and policy of the Corporation. However the rate of interest is subject to change from time to time.

**LOAN PROCESSING FEES:**

The loan processing fees is 1% of the sanctioned loan amount alongwith applicable service tax. However the loan processing fee and the service tax are subject to change from time to time.

**REPAYMENT PERIOD:**

The maximum repayment period of the loan will be 5 years including the moratorium period of 3 to 6 months. The repayment shall be on a monthly basis along with interest (EMIs).

The promoter shall approach commercial banks for meeting its working capital requirement at any time during currency of the loan. As and when the assistance is sanctioned by the bank, the working capital loan from AFC should be repaid out of the proceeds of the loan sanctioned by the bank. AFC in turn shall release its charge on current assets and also concede second charge on fixed assets if so insisted by the bank.

**SECURITY:**

- Exclusive first charge on the fixed assets of the unit viz. land, building and plant and machineries etc.including the current assets such as raw materials, finished goods stores and spares to be acquired by the proposed working capital term loan.
- Collateral Security to the extent of min 5% of the loan amount in the form of liquid security viz. NSC/FDR/Surrender Value of LIC policies etc.
- Collateral Security in the form of urban land property viz. Residential plot/house, commercial land/building etc. shall be required to maintain security margin (including outstanding in the existing term loan account) of 30%.
- Personal guarantee of the promoter(s) shall be obtained.
- The Security margin shall be calculated together with the Term Loan and Working Capital Term Loan extended to the concern.
- For calculation of security margin only the value of the existing land, building, plant and machineries, misc. fixed assets together with the value of land and building offered as collateral security shall be considered.
- The security margin should be at least 30%(excluding the value of liquid security).

**SANCTIONING AUTHORITY:**

- As per existing norms of the Corporation.

**Rating as per CREDIT APPRAISAL AND RATING TOOL (CART)**

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|---------|-------|------------------|
| • CAAA  | ----- | HIGHEST SAFETY   |
| • CAA   | ----- | VERY HIGH SAFETY |
| • CAAA- | ----- | HIGH SAFETY      |
| • CA    | ----- | ADEQUATE SAFETY  |
| • CA-   | ----- | MODERATE SAFETY  |

**Monitoring of the Assistance:**

- i) The borrower shall submit to AFC, quarterly its financial statement viz. balance sheet, profit and loss account, cash flow statement.

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