

## **11. GUIDELINES FOR SANCTION OF INTEREST FREE LOAN AGAINST PAYMENT OF VAT UNDER 2009-14 POLICY**

Interest Free Loan shall be offered to only new and Expansion/ Modernisation/ Diversification programmes undertaken by existing large and mega manufacturing enterprises established in Zone-1, 2 and 3 as specified below:

Investment range on fixed assets (Rs. cr.)	Min. Direct Emp. (Nos.)	Quantum of interest free loan
10 (value of plant & machinery) – 50	Minimum 100 employment and additional 20 employment for every Rs. 10 cr. investment.	50% of assessed gross VAT for initial 5 yrs. subject to the max. of 100% of total value of fixed assets. Repayment of the loan shall be in 3 annual installments after 5 yrs.
51 – 250	Minimum 200 employment and additional 20 employment for every Rs. 50 cr. investment.	50% of assessed gross VAT for initial 6 yrs. subject to the max. of 75% of total value of fixed assets. Repayment of the loan shall be in 3 annual installments after 6 yrs.
251 - 1000	Minimum 400 up to Rs.300 Crs and 50 additional employment for every Rs.100 Crs additional investment	25% of assessed gross VAT for initial 7 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual installments after 7 yrs.
1001-3000	Minimum 750 for Rs 1000 Crs and additional 25 for every Rs. 100 Crs additional investment	25% of assessed gross VAT for initial 10 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 4 annual installments after 10 yrs.
More than 3000	1250	25% of assessed gross VAT for initial 12 yrs. subject to the max. of 50% of total value of fixed assets. Repayment of the loan shall be in 5 annual installments after 12 yrs.

### **11.1 Procedure for claiming the interest free loan against VAT**

- (a) All eligible enterprises shall file an application to the concerned Joint Director, District Industries Centre along with the following documents, in duplicate
- 1 Application as in **Annexure - 36**
  - 2 Duly filled **Annexure – 5,6,7 , 8 & 9 (formats are already available in the main manual vide page No.36 to 42)**
  - 3 Copy of the VAT registration certificate
  - 4 Copy of the First sales invoice
  - 5 Copy of the Memorandum and Articles of Association

- 6 Copy of duly signed project report
  - 7 Copy of approved building plan and licence
  - 8 Copy of IEM acknowledgement (Part-II) in respect of MSMEs and Industrial Licence in respect of Large and Mega Industries.
- (b) The Joint Director, District Industries Centre on receipt of the required documents, will scrutinize and will take up the physical verification of the fixed assets created with reference to the documents furnished by the enterprise. On confirmation of the enterprise's eligibility, the Joint Director, DIC shall make an assessment of the value of the fixed assets eligible for interest free loan against the VAT payment. Based on this assessment recommendation will be made to Directorate for issue of FAVC for availing interest free loan against VAT payments . The Joint Director (ID) will scrutinize the proposal of Joint Director, District Industries Centre and subject to enterprise's eligibility, the Joint Director (ID) shall issue the FAVC to the enterprise with the approval of the Commissioner for ID in the format as in **Annexure- 37**.
- (c) The enterprise in possession of FAVC, shall file a half yearly statement to Joint Director, District Industries Centre i.e. from April to September and October to March in original issued from local VAT Officer, certifying the monthwise details of out put tax payable by the enterprise and the net tax and input tax amount paid by the enterprise to Commercial Tax Department, and also the reconciled statement from local VAT Officer for having remitted the same to Treasury.
- (d) The Joint Director, District Industries Centre on receipt of the statements at (c) shall examine the claim with reference to their FAVC and also Government Order dt. 28.2.2009 and FD Notification No. ----- dated ---- and on satisfying with the claim, the Joint Director, District Industries Centre shall s recommend to Head Office for issue of sanction orders, as in **Annexure-38** with the approval of Commissioner for ID and Director of Industries and Commerce.
- (e) Based on the sanction orders, the concerned enterprise shall execute the necessary agreement as in **Annexure – 39**.
- (f) On executing the agreement, the enterprise shall draw the loan amount on payee's receipt duly countersigned by Joint Director, District Industries Centre.
- (g) The Joint Director, District Industries Centre shall maintain the record/ register for watching the disbursement and also the recovery.

ANNEXURE – 36

**PROFORMA APPLICATION FOR CLAIMING INTEREST FREE LOAN AGAINST VALUE  
ADDED TAX (VAT) UNDER 2009-14 POLICY**

1.	Name and address of the applicant/ enterprise/ company		
2.	Location	Zone 1/ 2 / 3	
3.	Constitution	Proprietary/ Partnership/ Public Limited company or Co-op. Institution.	
4.	Name and address of the Proprietor/Partners/ Managing Director.		
5.	Particulars of the following (please furnish attested photo copies).		
	a) IEM/100% EOU Registration / IL		
	b) Foreign Collaboration Approval (Technical / financial) if any.		
6.	Indicate nature of investment	New Enterprise / Expansion/ Modernization / Diversification	
7.	Product manufactured.	Existing enterprise	Under Expansion/ Modernisation/ Diversification
8.	Installed capacity	Existing	Under Expansion/ Modernisation/ Diversification
9.	Project cost		
	a) Land		
	b) Building		
	c) Plant and Machinery		
	d) Other fixed assets.		
	<b>TOTAL</b>		
10.	Means of Finance		
	a) Share Capital		
	b) Internal resources		
	c) Long Term loans		
	d) Subsidy		
	e) Unsecured loan		
	f) Others.		
	<b>TOTAL</b>		

11.	Statement of fixed assets created by the enterprise in <b>Annexure – 5</b> .
12.	Fixed Investment Certificate from Bank / Financial Institutions in <b>Annexure – 6</b>
13.	Chartered Accountant Certificate regarding fixed investment in the enterprise in <b>Annexure-9</b> .
14.	Date of commencement of commercial production as evidenced by 1 <sup>st</sup> Sale Invoice No. and date (please enclose copy).
15.	Total number of workers employed (category wise) and local employment in the enterprise (please furnish details in the prescribed format/declaration on local employment, as per <b>Annexure – 8</b> .
16.	Chartered Engineer's / Architect Certificate in <b>Annexure – 7</b> .

- (i) Certified that all the plant and machineries acquired and installed in the enterprise are new and no second hand machinery has been installed in the enterprise.
- (ii) I / We hereby certify that the particulars given above and in the appended enclosures are true and correct to the best of my/our knowledge and belief and that no material facts have been concealed or suppressed.

(Signature)

(Name and Designation).

ANNEXURE – 37

**GOVERNMENT OF KARNATAKA**  
**Department of Industries and Commerce**

No. ....

Office of the Director,  
 No.49, Khanija Bhavan,  
 Race Course Road,  
 Bangalore, Dt:

**FIXED ASSETS VALUATION CERTIFICATE FOR NEW ENTERPRISE/FOR  
 EXPANSION/ MODERNISATION/DIVERSIFICATION OF EXISTING ENTERPRISE.  
 (UNDER 2009-14 POLICY)**

Sub: Issue of FAV Certificate No. .... To M/s. ....  
 .... Taluk, .... District.

Ref: 1.G.O.No. CI/233/SPI/2008 dtd: 28.2.2009.

2. Finance Department Notification No. ....

3. Letter of the enterprise No..... Dt: .....

4. Recommendation letter No. .... dt:..... received  
 From Joint Director, District Industries Centre,..... District.

This is to certify that :

1. M/s..... Is a large / mega scale enterprise located in Zone ..... Industrial Area as per the G.Os cited at ref.(1) and (2) above.
2. The enterprise is registered with Ministry of Industry, Government of India vide Registration No. .... dt:..... issued by ..... for the production of .....
3. The enterprise is a new enterprise / an existing one has undertaken expansion/diversification/ modernization. The installed capacity of new enterprise or the additional capacity created by investment by way of expansion/modernization/diversification is as under:

Sl. No.	Commodity	Installed capacity of new enterprise or an existing enterprise before expansion/modernization/ diversification.	Installed capacity after expansion/ modernization/ diversification.	Additional capacity created.
1				
2				
	Total.			

4. The new enterprise or the existing enterprise after expansion or modernization or diversification has commenced its commercial production on ..... as evidenced by the first invoice No. .... Dtd: ..... issued to M/s. ....(address).
5. As appraised by the Financial Institution, M/s. .... (name and address of the financial institution) a sum of Rs. .... ( in words ....) had been sanctioned on ..... as term loan against the total approved project cost of Rs. .... (in words.....) under new/ expansion/ modernization/ diversification. Programme. The financial institution has released the first installment of term loan of Rs..... on ..... which is on or after ..... the date on which the G.O. cited at ref(1) came into force.
6. Out of the total project cost of Rs. .... the enterprise has invested a sum of Rs. .... towards creation of fixed assets on or after ..... the date on which the G.O. cited at ref(1) came into force.
7. The investment certificate has been issued by C.A / Financial Institutions towards the investment made on fixed assets amounting to Rs. .... and the same is limited and accepted to Rs. .... after scrutinizing the records and inspecting the enterprise as reported by the Joint Director, District Industries Centre, ..... District vide ref (4) above. The details of Fixed Assets accepted is as follows;

1.	Land	Rs.
2.	Building *	Rs.
3.	Plant and machinery	Rs.
4.	Other Assets	Rs.
	Total FA Value	Rs.

- \* a) Building should exclude residential accommodation, guest houses and such other structures which are not directly related to the manufacturing activity.
- b) Leased / Hired assets will not be included in the FAVC.
8. It is further certified that no part of the plant and machinery as certified above includes old / used / second hand.
9. This Certificate is issued for the enterprise to claim the interest free loan against payment of VAT as per conditions, restrictions and procedural terms prescribed in the interest free loan sanction order being issued separately
10. As per the accepted value of Fixed asset as at (7) the enterprise is entitled for availing interest free loan amount to an extent of Rs. .... being the 100%/75%/50% of the value of the fixed assets over a period of 5 / 6 / 7 /10 / 12 years. The maximum loan admissible to the enterprises per annum shall be 50/25% of the assessed gross VAT (out put tax payable).

JOINT DIRECTOR (ID).

**FORMAT FOR ISSUE OF SANCTION ORDERS FOR AVAILING OF INTEREST FREE  
LOAN AGAINST VAT. (UNDER 2009-14 POLICY)**

**GOVERNMENT OF KARNATAKA  
Department of Industries and Commerce**

No. ....

Office of the Director,  
No.49, Khanija Bhavan,  
Race Course Road,  
Bangalore, Dt:

**SANCTION ORDER**

Sub: Sanction of Interest Free Loan against VAT to  
M/s. ....

Ref: 1. G.O.No. CI/233/SPI/2008 dt: 28.2.2009 as  
extended from time to time.  
2. Enterprise's FAVC No.....  
dt:.....  
3. Sanction orders already issued vide No.  
..... Dt: .....  
4. Application dt: ..... From M/s. ....  
for sanction of Interest Free Loan.

\*\*\*\*\*

**PREAMBLE:**

In the Government Order cited (1) above, a new package of Incentives and Concessions have been issued by the Government applicable to New Industrial Investment made after 1.4.2009.

M/s. .... has obtained Industrial License / IEM acknowledgement for having established a New Industrial undertaking for manufacture of ..... In ..... Village, ..... Taluk, ..... District falling under Zone ..... As such the enterprise is eligible for grant of Interest Free Loan against VAT payments.

M/s..... have been issued with Fixed Assets Valuation Certificate vide letter under ref(2) wherein the enterprises total entitlement of interest free loan against VAT is assessed as Rs. ....

Based on the FAVC, the enterprise has already availed Interest Free Loan for the years ..... and now preferred the claim for sanction of interest free loan of Rs. .... for the year ..... The claim has been verified with reference to their documents, employment and G.O. cited at ref(1) by the Joint Director, District Industries Centre/ Joint Director (ID) and found that they are entitled for release of Rs..... as Interest Free Loan against their payment of VAT for the year .....

## ORDER

In pursuance to the above, the Joint Director (ID), Department of Industries and Commerce hereby sanction a Interest Free Loan against VAT of Rs. .... (in words ..... ) to M/s. .... in respect of their project for the manufacture of ..... at ..... Village, ..... Taluk, ..... District of the State subject to the following terms and conditions:

1. The loanee should execute necessary loan agreement, deed of guarantee and mortgage/equitable mortgage by deposit of Title deeds vide Annexure, as the required stamp paper and register the same in the concerned Sub-Registrar's Office in favour of the Government of Karnataka and furnish the original deed to Joint Director, District Industries Centre, \_\_\_\_\_ District.
2. In respect of Partnership/ private / public limited companies, all the Directors of the Company shall give an undertaking individually guaranteeing repayment of this loan as per specimen vide Annexure.
3. The loanee shall undertake before disbursement of the loan, to create after obtaining the necessary approvals from the Lead Financial Institutions, second charge in favour of Government after satisfying the charges in favour of the Lead Financial Institutions.
4. The loan will be free of interest provided repayment is prompt. In the event of failure to repay on the due dates, the overdue installments will carry penal interest at rates prescribed by Government for overdue installment of the loan.
5. The loan is repayable in .....installments and repayment will commence with an initial moratorium of ..... from the date of disbursement of each installment of the loan amount.
6. All repayment due to Government shall be paid in at any Government Treasury in the State to the credit of the State Government under head of account ..... and the Treasury challans presented to this office, which will be duly acknowledged.
7. The enterprise should furnish half yearly / annual statement of audited account. The Director of Industries and Commerce / Joint Director, District Industries Centre shall have the power to inspect personally or direct any other subordinate(s) to inspect enterprise(s) to satisfy themselves about the correctness or otherwise of the statements submitted.
8. The enterprise shall not remove any of the assets of the enterprise in respect of which the agreement and guarantee is given without prior notice and without the approval of the Commissioner for Industrial Development and Director of Industries and



Commerce / Joint Director, District Industries Centre until liability is fully discharged.

The loan sanctioned as aforesaid in disbursement is debitible to the following Head of account.

.....

This order issues with the approval of the Commissioner for ID and Director of Industries and Commerce.

Joint Director(ID),  
Department of I&C.

To

M/s.....

.....

.....

Copy to:

1. The Accountant General in Karnataka, Bangalore.
2. The Joint Director, District Industries Centre, ..... District.
3. Manager\_\_\_\_\_
4. The Officer in charge of ..... Treasury.
5. The Sub-Registrar
6. Office copy
7. To loan file.
8. Spare copy.

ANNEXURE – 39**FORMAT FOR AGREEMENT TO BE EXECUTED BY THE ENTERPRISE FOR AVAILING  
INTEREST FREE LOAN AGAINST PAYMENT OF VAT. (UNDER 2009-14 POLICY)****LOAN AGREEMENT**

The Agreement is made and executed this .....  
of .....20 ..... by and between M/s.  
..... a proprietary concern/partnership firm  
registered under the Indian Partnership Act, 1932/ Private / Public Limited Company  
incorporated under the Companies Act, 1956 having its place of business at  
..... and registered office at ..... Being an industrial  
concern engaged in the manufacture of ..... and  
represented here in by its .....  
Hereinafter referred as the 'BORROWER' which term wherever the context so applies shall  
mean and include the respective legal representatives, successors in office and assigns, of the  
one part : AND the Governor of Karnataka, represented by the Joint Director, District  
Industries Centre, \_\_\_\_\_ district of Industries and Commerce, Government of Karnataka,  
hereinafter referred to as the 'GOVERNMENT' which term wherever the context so applies  
shall mean and include the successors in office and assigns of the other part ;

Whereas the Borrower has applied to the Government for an interest free loan against  
VAT under the new package of incentives and concessions scheme of the Government of  
Karnataka vide No. CI/233/SPI/2008 dtd: 28.2.2009.

Whereas the Government has sanctioned a sum of Rs. ....  
(Rs.....) to the Borrower as interest free loan subject to the terms and  
conditions contained in the Government's letter bearing reference No.  
.....

Whereas the Borrower has accepted the terms and conditions stipulated by the  
Government and has agreed to execute this agreement for the due re-payment of the loan and  
observance of the terms and conditions set out hereunder;

NOW THIS AGREEMENT WITNESSETH :

1. In consideration of the aforesaid sum of Rs. ....(Rs.  
.....) to be lent and advanced by the Government to the Borrower  
in such manner and in such sums specified in the order to be passed while directing  
payment of the balance or part thereof as the circumstances might admit;
2. The Borrower agrees to repay to the Government the said sum of Rs. ....  
(Rs.....) hereinafter called the 'Principal sum' in ..... yearly  
installments together with interest, costs, charges if any thereon, the first installment  
being paid on ..... and every subsequent installment being paid on the  
corresponding day of each and every ..... year; provided however the loan shall

not carry any interest if paid on or before the due date ; provided that in case any installment is not paid on the date on which it becomes due, such amount in arrears shall carry interest at such rate as may be prescribed by the Government in this behalf and intimated to the Borrower from time to time. On such intimation, the rate of interest payable by the Borrower shall be the rate so communicated, provided that in the event of an increase in the rate of interest, the Borrower shall have the option to repay to the Government forthwith, the entire outstanding and until repayment, the outstanding shall be treated as a charge on the proportion secured hereunder; And provided also on failure by the Borrower to pay installments or outstanding due to the Government under this agreement on or before the due dates or upto which time for payment may have been extended by the Government, the Government shall have the right to recall the entire loan and other outstanding thereon, that have been in arrears and remained unpaid.

3. For the consideration aforesaid;
  - (i) The Borrower binds personally for the repayment of the principal sum with interest and other moneys due to the Government under this agreement.
  - Iii) The Borrower agrees that as security for the aforesaid loan granted by the Government, shall offer the security of the properties described in the schedules hereunder by way of a valid second charge, for the due repayment to the Government of all the principal sum, interest, costs, charges etc., in accordance with the covenant agreed upon.
4. The Borrower agrees and undertakes to obtain necessary clearances and approvals from the financial institutions, Banks and other agencies for creation of a valid second charge as above and to comply with all the formalities connected therewith and to incur all the necessary expenditure such as Stamp Duty, Registration charges, other duties, penalties if any, in this behalf.
5. The Borrower agrees and undertakes that during the subsistence of this agreement to pay all rates, rents, taxes, duties and other outgoings in respect of the schedule properties regularly and diligently and to keep the entire schedule properties and every part thereof in good condition and to keep the same insured against loss or damage whatsoever for its full value with any of the nationalized insurance companies. The Borrower further agrees not to do any act of commission or omission so as to render the schedule properties less valuable than they are at present and to keep the same in good and proper condition.
6. The Borrower confirms that all the schedule properties are their absolute properties and free from any charge or encumbrance except that created in favour of the financial institutions with the knowledge of the Government and shall remain unencumbered till the aforesaid loan stands fully discharged. It shall also be not lawful for the Borrower to create any further mortgage, charge, lease or license or dispose of the schedule properties in any manner whatsoever without the prior consent and written sanction of the Government.
7. The Borrower shall submit periodically and without fail their half yearly/annual reports and audited statement of accounts of the Government.
8. The Borrower agrees that from the date of this agreement and so long as any part of the loan remains outstanding, the Borrower, shall at all reasonable times, permit the

- Government or any of its authorized representatives to carry out technical, financial and legal inspections of the Borrower's premises and schedule properties; and to inspect all records, registers and accounts of the Borrower; and that the Borrower shall extend full co operation and assistance to the Government and its authorized representatives in the conduct and performance of such inspections.
9. The Borrower agrees that if in the opinion of the Government there is a depreciation in the value of the schedule properties, the Borrower shall furnish additional security to the satisfaction of the Government and if such security be not given to the Government within such limit as may be prescribed in this behalf, then and in such case, the Borrower shall within a period of (6) six months reduce their indebtedness to the Government by the amount proportionate to the reduced value of the scheduled properties.
  10. That if default be made in repayment of all or any part of the principal sum or interest or in the performance or observance of any of the covenants, conditions or provisions herein contained on the part of the Borrower, then and in such an event, it shall be lawful for the Government to call upon the Borrower to discharge their liability in full by recalling the entire loan amount and also to initiate such legal proceedings as may be deemed fit for recovery of the entire arrears due from the Borrower to the Government under this agreement entirely at the cost and expenses of the Borrower.
  11. The Borrower agrees that all the repayments due hereunder shall be paid by them in cash at any Government Treasury in the State to the credit of the State Government under the head of account ..... prescribed by the Government from time to time and the treasury challan in proof thereof presented to the Government shall be the only conclusive evidence in the matter of the repayment of the aforesaid loan and that no other mode of payment be acknowledged by the Government.
  12. The aforesaid loan shall be subject to the terms and conditions of sanction, including any amendment made from time to time and rules, regulations, notifications and orders there under framed or made by the Government from time to time. In addition to the terms and conditions contained herein; and that the Borrower agrees and covenants to comply with the same as and when imposed during the subsistence of this agreement.

**FIRST SCHEDULE**  
(Details of Land building)

**SECOND SCHEDULE**  
(Details of plant and machinery)

In witness whereof the Borrower and the Government have signed this agreement on the day, month and year first above written in the manner following:

Signed sealed and delivered for and on behalf of  
M/s..... the Borrower, by the Head of

Signed and delivered for and on behalf of the Governor of Karnataka, by the Joint Director,  
District Industries Centre, \_\_\_\_\_ district.

**DEED OF GUARANTEE**

This Deed is made and executed on this \_\_\_\_\_ day of \_\_\_\_\_ by \_\_\_\_\_ hereinafter called the “**GUARANTORS**” which term wherever the context so applies shall mean and include his/their legal representatives and assigns of the one part: and \_\_\_\_\_ a partnership firm /Private Limited Company/ Public Limited Company having its Registered office at \_\_\_\_\_ and represented herein by the Partners/Directors, hereinafter called “**BORROWER**” which term wherever the context so applied shall mean and include its legal representatives, successors in office and assigns of the other part; in favour of the Governor of Karnataka, represented by the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce, Government of Karnataka, Bangalore hereinafter referred to as the Government, which term wherever the context so applies shall mean and include its successors in office and assigns;

Whereas the Borrower has applied to the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce, for an interest free Loan against VAT under the new package of incentives and concessions 2009-14 offered by the Government of Karnataka;

Whereas the Director of Industries and Commerce has sanctioned a sum of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) to the said Borrower as interest free loan against VAT, subject to the terms and conditions contained in the Government’s letter bearing reference No. \_\_\_\_\_ and has required the Borrower to secure for the aforesaid facility, the immovable and movable assets of the Borrower concern by way of a second charge and also required the Borrower to procure the guarantee of the Guarantors herein for the due performance of the condition governing the said sanction;

Whereas at the request of the Borrower the Guarantors have agreed to guarantee the loan lent and advanced by the Government to the Borrower;

Where as the Borrower has executed an agreement, documents pertaining to creation of second charge securing the movable and immovable assets of the Borrower concern and also agreed to repay the said principal sum of Rs \_\_\_\_\_ (Rupees \_\_\_\_\_) together with the interest therein in the manner set out in the aforesaid documents; the said documents hereinafter referred to as the “ security Documents”.

**NOW THIS DEED WITNESSETH**

1. In consideration of the Government advancing a sum of Rs \_\_\_\_\_ (Rupees \_\_\_\_\_) to the Borrower on the terms and conditions contained in the loan agreement under the new package of incentives and concessions, the Guarantors convenient with the Government as under ;
2. If at any time default shall be made by the Borrower in the repayment of the aforesaid principal sum, interest and other moneys for the time being due to the Government under the security documents, the Guarantors on demand shall pay to

the Government the whole of such principal sums, interest and other moneys which shall then be due to the Government as aforesaid and will indemnify and keep indemnified the Government against all loss of the aforesaid sums which the Government may incur by reason of any default on the part of the Borrower or in filling any legal proceedings against the Borrower an/or the Guarantors for recovery of the aforesaid sums.

3. The guarantors agree that the guarantee here in contained shall be enforceable against them for the due repayment of the loan to the Government by the Borrower in favour of the Government to secure the said loan or for any other reason whatsoever.
4. The Guarantors hereby agree and give consent for the sale, mortgage, lease, release etc., of any of the assets of the Borrower from time to time, as may be approved by the Government, or to the transfer of any of its assets from one enterprise to other or for the disposal of any of the assets of the Borrower charged to the Government on such terms and conditions as the Government may deem fit and this consent may be treated as a standing and continuing consent for each and every individual act of transfer of any such asset of the Borrower concern,. The Guarantors hereby declare that no separate consent for each such transfer or release of any such assets would be necessary in future.
5. The Government shall have the fullest liberty without affecting this guarantee, to postpone for any time or from time to time the exercise of power of sale or any other powers conferred under the security documents and to exercise the same at any time and in any manner and to enforce the covenants for repayment of the principal sum and interest contained or implied in the security documents or for any other remedy or security available to the Government, and that the Guarantors shall not be released by any exercise of the Government, of it liberty with reference to the matters as aforesaid.
6. The Guarantors hereby agree that the Government shall have the fullest liberty without affecting this guarantee to postpone or extend time for the repayment of the whole or any part of the installment of the loan or to compound with the Borrower, provided always that the Guarantors be liable under this guarantee.
7. The Guarantors hereby agree and consent for the Borrower to raise further moneys from the Government or other financial institutions in addition to the aforesaid facility, during the subsistence of this guarantee and in such event, the guarantee herein contained shall not be affected or vitiated any way whatsoever and shall remain in full force and be binding on the Guarantors.
8. The Guarantors further guarantee to observe and perform all the terms and conditions in the security documents executed by the Borrower in favour of the Government, in such manner as though the Borrower would have normally observed and performed the observance of the said terms and conditions therein.
9. The Guarantors hereby agree that any \_\_\_\_\_ be the debit of the Borrower in the books of account of the Government \_\_\_\_\_ particular time and admitted by the Borrower, shall be concerned against the Guarantors as to their liability to the Government at \_\_\_\_\_
10. The Guarantors hereby agree that they have not received and shall not receive any commission or obtain any security from the \_\_\_\_\_ for giving this guarantee as long as any moneys remain due and payable in the Government by the

Borrower or any liability incurred by the Government on behalf of the Borrower remains outstanding.

11. The guarantee herein shall be enforceable against the Guarantors separately and independently notwithstanding that no action is taken by the Government against the Borrower under the security documents and that an intimation sent by the Government to the Borrower that a default has been committed or breach has been occurred, shall be treated as final and conclusive proof as to the facts stated therein.
12. In order to give effect to this guarantee, the Guarantors shall be treated as principal debtors to the Government for all payments and covenants guaranteed by them as aforesaid to the Government.
13. The guarantee herein contained shall be a continuing one and the liability of the Guarantors shall be joint and several for all the amounts advanced to the Borrower including the interim payments an/or the amounts to be advanced hereinafter by the Government to the Borrower under security documents and for all costs, expenses and other charges that may from time to time become due and payable and remain unpaid the Government.
14. The guarantee herein contained shall be a continuing one and shall not be considered as wholly or partially satisfied until repayment in full of all the moneys due to the Government as aforesaid. The same shall be binding and operative and shall continue in force notwithstanding any change in the management of Borrower concern or nationalization or taking over management of the concern by the State or Central Government or by any authority pursuant to the operation of any law for the time being in force.
15. The Guarantors agree that the guarantee herein contained shall not be revoked or affected by the death, dissolution, insolvency, cessation or termination of office of any partner/Director of any one or more of the Guarantors but shall continue to be binding and operative in respect of liabilities which have arisen up to the date of any of the above events as well as for the liabilities which may arise thereafter in all respects and for all purposes until all moneys due to the Governments have been repaid in full.
16. The guarantee herein contained shall not in any way be affected or impaired by reason of the Government releasing one or more of the Guarantors from his/their liability hereunder or giving time or indulgence to one or more of the Guarantors will remain unaffected and unimpaired till all the dues of the Government have been paid in full.
17. The Government shall be at liberty to adjust or appropriate at its sole discretion any money from the Borrower by way of installment or Principal, interest or other dues and the Guarantors shall not challenge such adjustment or appropriation so done by the Government.
18. In the event of death, retirement, insolvency of any of the Guarantors during the subsistence of the loan of the Government under the security documents, the Borrower shall inform the Government of the same and shall offer the guarantee of such successor or such other persons as the Government may deem fit and proper in place and stead of the deceased, retired or insolvent Guarantee; and if the Government agrees to accept the guarantee of such persons, the incoming Guarantor or Guarantors shall execute a fresh deed of guarantee in favour of the Government; and until execution of such new deed of guarantee, the liability of the



other Guarantors here in shall remain in full force and be subsisting; providing however, that the execution of a fresh deed of guarantee shall not affect the liability of the Guarantors for payment of principal, interest and other moneys payable under the security documents which have already become due and payable by the Borrower to the Government on the date of execution of the fresh deed of Guarantee, but have not been paid in full.

19. The guarantee herein contained shall be enforceable against the Guarantors, notwithstanding that the securities specified in the security documents executed by the Borrower in favour of the Government shall at the time when proceedings are taken against the Guarantors hereunder be outstanding or unreleased and that the Government shall have the right to sue and recover the amounts due, separately or simultaneously or otherwise either on the loan agreement or this deed of guarantee or both together or separately or otherwise.
20. Any notice required to be served on the Guarantors shall, for the purpose of these presents be deemed to have been sufficiently served, if it is felt at the address given herein above and such notice shall be deemed to be properly and duly effected, if sent by registered post in the ordinary course of delivery of a registered letter, even though returned unserved on account of refusal or otherwise howsoever.

In witness whereof the Guarantors and the Borrower have executed this deed on the day, month and year first above written.

GUARANTORS

Note : If the Borrower is a company they shall execute  
The same under the common seal of the company  
By virtue of a Board resolution.

BORROWER

**MORTGAGE DEED**

This Deed is made and executed this \_\_\_\_\_ day of \_\_\_\_\_ 20 by M/s \_\_\_\_\_ a Proprietary concern/Partnership firm registered under the Indian Partnership Act 1932/Private/Public Limited Company incorporated under the companies Act 1956, having its place of business at \_\_\_\_\_ and registered office at \_\_\_\_\_ being \_\_\_\_\_ and industrial concern engaged in the manufacture of \_\_\_\_\_ and represented herein by its \_\_\_\_\_ herein after referred to as the 'MORTGAGOR' which term wherever the context so applies shall mean and include the respective legal representatives, successors in office and assigns, in favour of the Governor of Karnataka, represented by the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce, Government of Karnataka, herein-after referred to as the 'GOVERNMENT', which term wherever the context so applies shall mean and include the successors in office and assigns :

Whereas the mortgagor has requested the Government for an interest free loan against VAT under the new package of incentives and concessions 2009-14 scheme of the Government of Karnataka and whereas the Government has sanctioned a sum of Rs \_\_\_\_\_ to the mortgagor on having repayment thereof secured in the manner hereinafter expressed :

**NOW THIS DEED WITNESSETH :**

1. In consideration of the aforesaid sum of Rs. \_\_\_\_\_ - ( \_\_\_\_\_ ) lent and paid by the Government to the mortgagor in such a manner and in such sums specified in the sanction order or in the orders passed/to be passed while directing payment of the balance or part thereof as the circumstances might admit;

The mortgagor agrees to repay the Government the said sum of Rs \_\_\_\_\_ ( \_\_\_\_\_ ) hereinafter called the 'Principal Sum' in \_\_\_\_\_ yearly installments together with interest, costs, charges if any thereon, the first installment being paid on \_\_\_\_\_ and every subsequent installment being paid on the corresponding day of each and every \_\_\_\_\_ year; provided however the aforesaid principal sum shall not carry any interest if paid on or before the due date; provided that in case any installment is not paid on the date on which becomes due, such amount in arrears shall carry interest at such rate as may be prescribed by the Government in this behalf and intimated to the mortgagor from time to time. On such intimation the rate of interest payable by the mortgagor shall be the rate so communicated, provided that in the event of an increase in the rate of interest the mortgagor shall have the option to repay the Government forthwith, the entire out standings and until repayment the outstanding shall be treated as a charge on the properties secured hereunder; And provided also on failure by the mortgagor to pay installments or outstanding due to the Government under this deed on or before the due dates or up to which time for payment may have been extended by the Government, the Government shall have the right to recall the entire loan and other out standings thereon, that have been in arrears and remained unpaid.

2. For the consideration aforesaid:
  - a. The mortgagor binds personally for the repayment of the principal sum with interest and other moneys due to the Government under this Deed.
  - b. The mortgagor hereby grants, conveys and assures unto the Government by way of security for the said principal and interest that become due to the Government, the properties more fully and particularly described in the schedules hereunder, to have and to hold the same absolutely, subject to provision for redemption herein after contained.
  - c. Provided however that if the mortgagor shall duly pay to the Government all the said principal sum and interest hereby secured then and in such case the Government shall at any time thereafter upon the request in writing and at the cost of the mortgagor, recover the schedule properties unto the mortgagor.
2. The mortgagor will at all times during the subsistence of this deed, pay all rates, rents, taxes, duties and other outgoings in respect of the schedule properties regularly and diligently and to keep the entire schedule properties and every part thereof in good condition and to keep the same insured against loss or damage whatsoever for its full.
3. The mortgagor will at all times during the subsistence of this deed, pay all rates, rents, taxes duties and other outgoings in respect of the schedule properties regularly and diligently and to keep the entire schedule properties and every part thereof in good condition and to keep the same insured against loss or damage whatsoever for its full value with any of the nationalized insurance companies.

The mortgagor shall not do any act of commission or omission so as to render the schedule properties less valuable than they are at present and to keep the same in good and proper condition.
4. The mortgagor covenants with the Government that all the schedule properties are their absolute properties and free from any prior charge or encumbrance except that created in favour of the financial institutions with the knowledge of the Government and shall remain unencumbered till the aforesaid loan stands fully discharged and that the mortgagor has the power to grant convey and assure all and singular the schedule properties in favour of the Government.
5. The mortgagor shall not, without the consent of the Government first had and obtained, remove any or any part of the schedule properties and in case of such removal shall replace the same of equivalent nature and value; provided however that on the Government agreeing that the part of so removed is redundant, worn out or obsolete and need not be replaced, the same way be sole and sale proceeds applied towards satisfaction or payment of the mortgage debt hereunder.
6. The mortgagor agrees that from the date of this deed and so long as any part of the loan remains outstanding, the mortgagor shall at all reasonable times, permit the Government or any of its authorized representatives to carryout periodic inspections of the schedule properties; and that the mortgagor shall extend full co-operation and assistance to the Government and its authorized representatives in the conduct and performance of such inspections.
7. The mortgagor covenants that if in the opinion of the Government there is a depreciation in the value of the schedule properties, the mortgagor shall furnish additional security to the satisfaction of the Government and if such security be not given to the Government within such limits as may be prescribed in this behalf, then and in such case, the mortgagor shall within a period of six months reduce their

- indebtedness to the Government by the amount proportionate to the reduced value of the schedule properties.
8. That if default be made in payment of all or any part of the principal sum or interest or in the performance or observance of any of the covenants, conditions or provisions herein contained on the part of the mortgagor, then and in such on event it shall be lawful for the Government to call upon the mortgagor to discharge their liability in full by recalling the entire loan amount and also to initiate such legal proceedings as may be deemed fit for recovery of the entire arrears due from the mortgagor to the Government under this deed, entirely at the cost and expenses of the mortgagor.
  9. The mortgagor covenants that in the event of default, it shall be lawful for the Government at any time to sell or otherwise dispose of the schedule properties hereby mortgaged either by public auction, private contract or by any other legal proceedings and to enforce, settle compromise or deal with any of the rights aforesaid and the aforesaid power shall be deemed to be a power to sell and concur in selling the mortgaged properties hereunder without the intervention of the court within the meaning of section 69 of the Transfer of Property Act, 1982.
  10. All the other provisions and trust ancillary to the power of sale which are contained in section 69 and the provisions of section 69A of the Transfer of Property Act shall apply to this security.
  11. The provisions contained in section 67A of the Transfer of Property Act shall not apply to these presents.
  12. The power of leasing as contained in section 65A of the Transfer of Property Act, shall not be exercised by the mortgagor without the written consent of the Government first had and obtained.
  13. The aforesaid loan shall be subject to the terms and conditions of sanctions mentioned vide order bearing No.----- dated: --- including any amendment made from time to time and rules, regulations, notifications and orders there under framed or made by the Government from time to time in addition to the terms and conditions contained herein; and that the mortgagor covenants to comply with the same as and when imposed during the subsistence of this Deed.

FIRST SCHEDULE  
(Details of land and building)

SECOND SCHEDULE  
(Details of Plant and Machinery)

In witness where of the mortgagor has executed this deed on the day month and year first above written.

MORTGAGOR

Witness :

- 1.
- 2.

(alternate to Mortgage Deed)

(On the Letterhead of the Government)

Letter of Authority – 1

To,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Sir,

Sub: Creation of Equitable Mortgage by \_\_\_\_\_  
\_\_\_\_\_ in our favour.  
\*\*\*\*\*

We hereby authorize you to accept through any one of your officials, in our name and as agents for us, the delivery and deposit of Title Deeds made/ in respect of the properties situate at \_\_\_\_\_

\_\_\_\_\_ and to hold the said title deeds for and on our behalf, to secure the repayment of the interest free loan of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) sanctioned by us to the above concern together with interest, costs, and other moneys payable by them according to the terms of the agreement executed by the said M/s. \_\_\_\_\_ in our favour.

We further request you not to part with the said Title Deeds for any purpose whatsoever without our consent first had and obtained in writing.

Yours faithfully,

( )

**(On the letter head of the Borrower )****Letter of Authority – 2**

To,

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dear Sir,

Sub: Creation of an equitable mortgage by us in favour of the Governor of Karnataka, represented by the Director of Industries and Commerce, towards their interest free loan against VAT of Rs.\_\_\_\_\_.

We have been sanctioned a interest free loan of Rs.\_\_\_\_\_ (Rupees\_\_\_\_\_ ) by the Governor of Karnataka, represented by the Director of Industries and Commerce. The title deeds in respect of our immovable property situate at \_\_\_\_\_ are deposited by us with you as security towards the repayment of your term loan of Rs. \_\_\_\_\_. We have been required by the Governor of Karnataka, represented by the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce to create a charge over the said immovable property offered to you as security by way of deposit of title deeds.

It is our intention and of the Governor of Karnataka, represented by the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce that the documents of title already held by your behalf, shall also be held on behalf of the Governor of Karnataka, represented by the Director of Industries and Commerce, as security for their loan.

We hereby authorize you to act as Agent and on behalf of the Governor of Karnataka, represented by the Director of Industries and Commerce, to hold the title deeds already in deposit with you for creating an equitable mortgage securing the free hold/leaseholder rights respectively in the land and building in respect of the above property as security towards the repayment of the loan of Rs. \_\_\_\_\_ sanctioned by the Governor of Karnataka, represented by the Director of industries and Commerce.

We also hereby authorize you that incase your loan is discharged / cleared/ satisfied earlier to that of the loan of the Government of Karnataka, to deliver the title deeds and other documents in your deposit to the Governor of Karnataka represented by the Director of Industries and Commerce.

We also request you to issue a letter to the effect that you have accepted and are holding the documents of title on behalf of the Governor of Karnataka represented by the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce, in trust and as their agents and for their charge till their liability stands fully charged.

Yours faithfully,

**(On Company's Letterhead)**  
**DRAFT BOARD RESOLUTION**

EXTRACT of the Proceedings of the meeting of the Board of Directors of the company held at the Registered office \_\_\_\_\_ on \_\_\_\_\_

Item No.: To authorize the Directors to execute necessary documents for availing the interest free loan sanctioned by the Director of Industries and Commerce, Government of Karnataka.

**RESOLUTION:**

1. Resolved that the company do avail a interest free loan of Rs. \_\_\_\_\_ sanctioned by the Director of Industries and Commerce, Government of Karnataka, on the terms and conditions stipulated in their letter No. \_\_\_\_\_ dated \_\_\_\_\_
2. Resolved that the company do create an equitable mortgage by deposit of title deeds with \_\_\_\_\_ for securing the loan of Rs. \_\_\_\_\_ and that Shri \_\_\_\_\_ and Shri \_\_\_\_\_ Director of the company be and are hereby authorized jointly and severally to deposit the title deeds in respect of the company's immovable properties at \_\_\_\_\_.
3. Resolved that the company do create an equitable mortgage by Deposit of title deeds in favour of the Joint Director, District Industries Centre, \_\_\_\_\_ district of Industries and Commerce, Government of Karnataka, by authorizing the (Financial Institution) acting through any of its officers as agent of the Director of Industries and Commerce, Government of Karnataka, to hold the documents of title in respect of the company's immovable properties, together with buildings and other structures, fixed assets, plant and machinery to secure the due repayment and discharge by the company to the Director of Industries and Commerce of its loan of Rs. \_\_\_\_\_ together with interest, costs, expenses and other moneys payable by the company to the Joint Director, District Industries Centre, \_\_\_\_\_ district under its loan agreement.
4. Resolved that the company do execute all the documents that may be called upon by the Director of Industries and Commerce, Government of Karnataka, for properly securing the aforesaid loan.
5. Resolved that Shri. \_\_\_\_\_ and Shri. \_\_\_\_\_ Directors of the Company are authorized to authorize the acting through any of its officers as agents of the Joint Director, District Industries Centre, \_\_\_\_\_ district of industries and Commerce, Government of Karnataka to hold said title deeds, relating to the immovable properties of the company by way of equitable mortgage by deposit of title deeds over the said immovable properties of the company as aforesaid in favour of the Joint Director, District Industries Centre, \_\_\_\_\_ district to secure the due repayment and discharge by the company of the said loan as aforesaid.
6. Resolved that Shri. \_\_\_\_\_ and Shri. \_\_\_\_\_ Directors of the company are hereby authorized to state, assure and declare on behalf of the company that the said title deeds in deposit and authorized to be held as aforesaid are the only title deeds relating to the said immovable properties of the company and that the company has a clear and marketable title to the said immovable properties and



that there is no mortgage, charge, lein, lispens, encumbrance, attachment or any right, claim or demands; or any of them of any part thereto in favour of any person, firm, company, body corporate, Government, Society or entity except the charge created in favour of the financial institutions by deposit of title deeds.

7. Resolved that the common seal of the company be affixed on all the above documents to be executed in this connection in the present of Shri \_\_\_\_\_ and Shri \_\_\_\_\_ Directors of the Company.

‘True Extract’

(BY THE FIRST CHARGES HOLDER)  
**MEMORANDUM OF ENTRY**

1. Shri \_\_\_\_\_ and Sri \_\_\_\_\_ Partners/Directors of M/s \_\_\_\_\_ a registered partnership firm/a company incorporated under the Companies Act, 1956 and having its Registered Office at \_\_\_\_\_ and place of business at \_\_\_\_\_ (hereinafter referred to as the 'Borrower') attended the office of the KSFC/KSIIDC/Bank (hereinafter called the Corporation/Bank) on \_\_\_\_\_ at \_\_\_\_\_ A.M/P.M and authorized the undersigned Sri \_\_\_\_\_ acting as agent of the Director of Industries and Commerce, Government of Karnataka (hereinafter called the 'the Directorate') to hold the title deeds, which are already in deposit with the Corporation/Bank as security for its term loan of Rs. \_\_\_\_\_ and detailed in the First Schedule hereto (hereinafter called 'the said Title Deeds') by way of Equitable Mortgage in respect of the Borrower's property described in the second schedule hereto (hereinafter called 'Schedule Property') with an intent to create security by way of Equitable Mortgage by deposit of Title Deeds on the schedule property to secure the due repayment and discharge by the Borrower of the interest free loan of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ only) lent and advanced by the Director of Industries and Commerce, Government of Karnataka, together with interest, costs, charges, expenses and other moneys payable by the Borrower to the Directorate in terms of its loan Agreement.
2. While so authorizing the deposit of the said title deeds Sri \_\_\_\_\_ and Sri \_\_\_\_\_ Partners/Directors stated that they were doing so on behalf of the Borrower and in their capacity as partners/Directors of the Borrower. They further stated that they were authorized to create an equitable mortgage by deposit of Title Deeds is in favour of the Directorate of Industries an Commerce, Government of Karnataka, as aforesaid pursuant to the resolution passed by its Board of Directors on \_\_\_\_\_ and they have produced certified copy of the said resolution to the undersigned and further state that the said resolution had not been modified or rescinded and that the same was in full force.
3. Sri \_\_\_\_\_ and Sri \_\_\_\_\_ Partner/Director assured and declared that the said Title Deeds so deposited are the only documents of Title relating to the schedule property of the Borrower in the possession, power and control of the Borrower and that the Borrower has clear and marketable Tile to the said property.
4. The undersigned acting on behalf of the Corporation/Bank and the Corporation/Bank acting for itself and as agent of the Director of Industries and Commerce, Government of Karnataka, accepted such deposited of Title Deeds made by Sri \_\_\_\_\_ and Sri \_\_\_\_\_

On behalf of the Borrower as security for the aforesaid facility

FIRST SCHEDULE  
(List of Tile Deeds)

SECOND SCHEDULE  
(Description of Property)

Note : The above was read to Sri \_\_\_\_\_ and Sri  
\_\_\_\_\_ Partners/Directors of the Borrower in the presence of  
Sri \_\_\_\_\_ and Sri \_\_\_\_\_

(Authorized Official of  
Corporation/ Bank)

**GOVERNMENT OF KARNATAKA  
DEPARTMENT OF INDUSTRIES AND COMMERCE**

**Schedule of Repayment of Instalments of Interest free loan against VAT**

1.	Name and Address of the Enterprise	
2.	Amount of loan sanctioned:	
3.	Date of release of loan	
4.	Moratorium Period	
5.	No. of installments of repayments.	

No. of installments of repayment	Due Date	Particulars of the Principal amount due	Remarks
			The loan will be free of interest provided repayment is prompt and as per repayment schedule. In the event of failure to repay on the due dates, the over due installments will carry penal interest at the rate prescribed by Governments for such overdue installments will carry penal interest at the rate prescribed by Governments for such overdue installments from time to time. Further, on chronic default, the loan is liable to be terminated and coercive recovery of the dues will be enforced, as if it were arrears of Land Revenue.

Joint Director DIC

- Copy :
1. Joint Director (ID), Department of Industries and Commerce—  
for information
  2. Loan ledger and loan file
  3. Extra