

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Circular No. 151

30.10.2007

Sub: Funding ED/AED Component through Trade-Advance to the Suppliers / manufactures – reg.

INTRODUCTION

Presently, Suppliers / Manufacturers are required to pay ED and ED/AED before the goods leave their distilleries. It has been the general refrain of many a manufacturers that the ED/AED being a major component of cost, the manufacturer's requirement of working capital towards ED/AED is huge and it gets blocked for substantial periods (until the amount is obtained back in installments from KSBCL i.e. as and when and to the extent sales take place). Presently, the Company has a scheme for funding the ED/AED based on reimbursement. Representations have been made by many manufactures/suppliers to fund the ED/AED at the initial stage itself. The matter has been considered by the Company. The Company now proposes to fund this ED/AED component, at the point of initial payment to the Excise Department itself, through an equivalent Trade-Advance to the manufacturer, and recovering it back with interest in the subsequent weekly payment/s based on the cash flow pattern. It has been brought to the notice of the company on a number of occasions that the supplies from the manufactures have been withheld on account of lack of funds for paying the ED/AED. The proposal will facilitate availability of systematic Trade-Advance facility to the suppliers/manufacturers, relieving the present pressure on working capital of the Distilleries, leading to availability of funds for the manufacturers to maximize their production, which in turn would help state's revenues.

This matter was discussed in the 22nd meeting of the Board of Directors held on 20th September, 2007 and Board of Directors agreed with the proposal subject to the condition that the Company shall ensure safeguards against loss of principal to KSBCL, though such an eventuality is unlikely

The matter was discussed in the meeting held on 13-10-2007 with the manufacturers. The proposed scheme was explained in detail. The suggestions made by the manufacturers, wherever found feasible were incorporated in the draft scheme.

The Company has further examined the proposal in detail and it has been decided that scheme called "Funding ED/AED through Trade-Advance to manufactures / Suppliers" shall come into effect from 01-11-2007. (The word ED/AED will include any other duty or fee etc. levied on liquor products both local and imported)

CHOOSING ‘THE EXISTING SCHEME’ OR ‘THE NEW SCHEME’

The existing scheme of “Advance against ED and AED paid” shall continue for the time being. Manufacturers may:

- Choose to continue in the existing scheme of “ Advance against ED and AED paid”
- Opt for the New scheme of “Funding ED/AED through Trade-Advance to manufactures / Suppliers”
- May prefer not to choose either of the above two.

However, once they choose any one of the two schemes cited above, they shall not be allowed to switch over to the other scheme till the completion of one year from the date of exercising the option. Those who are in the Existing Scheme may opt to switch over to the New Scheme by 31-12-2007.

The salient features of the new scheme viz “Funding ED/AED through Trade-Advance to manufactures / Suppliers” are as follows:

ELIGIBILITY CRIETERIA

- The Brand must have been authorized for sale in Karnataka continuously for a period of at least one excise year immediately prior to the excise year in which the request for Trade-Advance is made.
- The Manufacturing firm must not have defaulted to any FI during the last one year. (Affidavit to be furnished in this regard.)

DOCUMENTATION

1. The manufacturer intending to avail the facility under the scheme shall apply for the same in form No: EDA1-Part A. He will not only indicate the Trade Advance Ceiling limit which he desires to avail, but also the preferred mode of disbursal either direct transfer of ED/AED Trade-Advance by means of RTGS/NEFT to the designated Bank Account (called ‘Direct Transfer’ for short) or disbursal through Cheque.
2. KSBCL shall examine the application of the manufacturer and if eligible according to the norms of the scheme, shall communicate the same in form No: EDA1-Part B, including the ceiling of maximum ED/AED Trade-Advance allowed to the applicant.
3. Each manufacturer admitted to the benefits of the Scheme shall be assigned a unique ID number which shall be quoted in all correspondence including the Forms etc.

4. The ED/AED Trade-Advance to the manufacturer shall not exceed the ceiling so fixed, unless the same has been revised upwards by KSBCL, on the request of the manufacturer.
5. The manufacturer shall enter in to a “Trade-Advance for ED/AED agreement” in form No EDA2 in order to commence the Trade-Advance facility to the manufacturer.
6. The Excise Department (and if ‘Direct Transfer’ has been chosen by the manufacturer, the concerned Bank), shall be informed about the ED/AED Trade-Advance facility sanctioned to the manufacturer by appropriate endorsement in form No EDA1 Part-B.
7. The manufacturer shall open current account at any one of the Six Banks viz SBM, SBI, Syndicate Bank, ING Vysya Bank, Axis Bank or ICICI Bank. (Opening account in SBM would give the manufacturer convenience of dealing with a Bank which works as the Treasury for the Government of Karnataka where they have to pay the ED/AED.) The features of the said account shall be as follows:
 - Such current account shall be called “ Current Account Exclusively for payment of ED/AED ”
 - It will be a joint account for which MD, KSBCL and the Manufacturer shall be the joint signatories.
 - The MD, KSBCL and the manufacturer shall authorize the Bank (in form No EDA3 Part-A) to:
 - Restrict the receipts into this account only to ED/AED Trade-Advance granted by KSBCL to the Manufacturer and credited into this account by KSBCL i.e No amount other than the ED/AED Trade-Advance shall be allowed to be credited into this account. And;
 - the Manufacturer shall limit payments from this account only for payment of ED/AED
8. The Company shall have exclusive authority to admit, not to admit, terminate the facility of the scheme to a manufacturer already admitted and re-admit under the scheme any manufacturer for ED/AED Trade-Advance, without giving any reason therefor.
9. The company reserves the right to modify the scheme including the rate of interest etc. and the same shall be binding on the manufacturers who have availed the benefit of the scheme for the time being. However the Company shall keep the manufacturers informed about modifications as and when they take place.

10. A manufacturer who avails the facility under the scheme may withdraw from the same with One month's notice in Form No. EDA4 Part-A subject to the condition that no dues on account of ED/AED Trade-Advance availed by him shall remain unpaid at the end of next two weekly payments from the date of application. However no fresh ED/AED Trade-Advance shall be granted to such manufacturer from the date of receipt of the request for withdrawal. He shall continue to be liable for all payments under the scheme till he is discharged from the scheme in form No.EDA4 Part-C by KSBCL. Such withdrawal can be availed by the manufacturer only once in a year.

CEILING LIMIT FOR "ED/AED TRADE-ADVANCE"

Manufacturer while applying for admission to the Scheme (in Form No.EDA1) will indicate the maximum ED/AED Trade-Advance limit that he proposes to avail.

All manufacturers who have been admitted to the Scheme will ordinarily be allowed ED/AED Trade-Advance limit not exceeding maximum of Two times the average monthly sales in the last quarter in respect of all eligible brands (Quarter-1: April- June; Quarter-2: July-Sept; Quarter-3: Oct- Dec; and Quarter-4: Jan- March)

Manufacturer may request any ED/AED Trade-Advance limit within the above allowable ceiling of "Two times the average monthly sales".

Manufacturer may request for an increase (not decrease) in the ED/AED Trade-Advance limit once in a month in multiples of Rs.25 lakhs.

INTEREST ON "ED/AED TRADE-ADVANCE"

ED/AED Trade-Advance shall carry interest at 18 percent per annum calculated on daily basis payable from the date of sanction of the said Trade-Advance till it is recovered with interest.

In case the Manufacturer has opted for 'Direct Transfer', he may once in a month, request KSBCL in Form No EDA5 Part-A to take back the unutilized amount lying in the designated Bank Account and appropriate the same towards the ED/AED Trade-Advance outstanding. In such case, interest shall be calculated, from the date of appropriation, only on the balance outstanding after deducting the amount appropriated. KSBCL on receipt of such request withdraw such amount and intimate the same in Form No EDA5 Part-B.

In addition to the above, on the ED/AED Trade-Advance limit sought by the manufacturer and agreed to by KSBCL, a front-end interest at 1 percent of the limit so fixed shall be payable by the manufacturer irrespective of the actual Trade-Advance availed. However, such front-end interest shall be adjusted/set off against the 18 percent interest payable by the manufacturer on the actual Trade-Advance availed. If no Trade-Advance is availed, the amount shall be considered towards sanction of Trade-Advance limits.

Front-end interest shall be payable upfront i.e. at the time the ED/AED Trade-Advance limit is sought and sanctioned. Such front-end interest paid by the manufacturer on ED/AED Trade-Advance, may be adjusted by the manufacturer in 12 equal monthly installments against the interest payable by him to KSBCL on the actual ED/AED Trade-Advance availed.

The manufacturer may request for ED/AED Trade-Advance limit beyond the “Two times the average monthly sales in the last quarter in respect of all eligible brands” referred to above. KSBCL may examine and agree to such request. Such ED/AED Trade-Advance allowed by KSBCL shall be called “Additional ED/AED Trade-Advance”. Such additional ED/AED Trade-Advance shall also carry interest at 18 percent besides the 1 percent front-end interest. However, in respect of the Additional ED/AED Trade-Advance, the front-end interest shall not be adjusted or set-off against 18 percent interest payable by the manufacturer on the actual Trade-Advance availed.

SANCTION AND DISBURSAL OF ‘ED/AED TRADE-ADVANCE’

The ED/AED Trade-Advance shall consist of two distinct stages viz first the sanction of ED/AED Trade-Advance and second its release and credit to the designated Bank account of the manufacturer. These two stages shall be gone through with reference to each OFS and the ED/AED Trade-Advance thereon.

The manufacturer does not derive any right to the ED/AED Trade-Advance unless it is first sanctioned. The sanction of ED/AED Trade-Advance by KSBCL shall be at its discretion based on the fund availability. Therefore KSBCL shall not be liable for any consequential loss/ damages which the Manufacturer may suffer on account of non-sanction of ED/AED Trade-Advance. However, once the Trade-Advance is sanctioned with reference to an OFS, the same shall be disbursed forthwith and the Manufacturer shall have the right to demand the same.

WORKING OF THE SCHEME

The ED/AED Trade-Advance amount will be released by KSBCL to the manufacturer as and when necessary, within the ceiling limit fixed, and the same shall be recovered with interest from the weekly payment payable to the manufacturer. The mechanism for the same shall be as follows:

1. The manufacturer applies for OFS
2. The OFS applied should be supported by a certificate from the Excise Authorities to the effect that the quantity proposed to be supplied under the OFS to the Company is already manufactured and kept in the Bonded Warehouses and ready for dispatch.
3. OFS is issued. On the basis of the OFS quantity, the ED/AED is calculated and the requisite amount is sanctioned and released as Trade-Advance to the manufacturer in Form No EDA6-A in respect of those who have chosen disbursement

- through cheques and in Form No EDA6-B in respect of those who have chosen disbursal through Direct Transfer. However, the amount of advance to be sanctioned and released as trade advance is limited to the purchase cost of the manufacturers goods held by the KSBCL in its godowns, plus the cost of the goods the manufacturer would supply to KSBCL against the OFS.
4. The said Trade-Advance called ED/AED Trade-Advance shall be sanctioned against the security of the Manufacturer's goods held by KSBCL in its Godowns, plus the goods the manufacturer would supply to KSBCL against the OFS. For this purpose a hypothecation clause has been included in the ED/AED Trade-Advance agreement referred above.(Form No EDA2). Such Trade-Advance shall be classified as Debtors in the books of accounts of KSBCL.
 5. In case the manufacturer has opted for Cheque system, he will be given a "Account Payee, Not Negotiable and Non Transferable" cheque/s, in favour of ".....". The manufacturer shall utilise the said cheque towards payment of ED/AED, in respect of the OFS issued, and obtain challan for having paid the ED/AED.

OR

In case manufacturer has opted for the 'Direct Transfer' mode of disbursal, the Trade-Advance shall be credited to the designated "Current Account Exclusively for payment of ED/AED" opened at one of the Six banks, (hereinafter called designated bank account for short) under intimation to the manufacturer, Bank and the Excise Department, in Form No EDA6-B(by mail).

In case of such 'Direct Transfer' the manufacturer submits a challan to the Bank for debiting his designated account and crediting the same to the Excise Head of account towards payment of ED/AED. The mechanism works as follows:

- KSBCL credits the ED/AED Trade-Advance amount through NEFT/ RTGS to the designated account and intimates the same to the manufacturer, Bank, and Excise Dept.
 - The manufacturer submits a letter in Form No EDA6-A OR EDA6-B, as the case may be, to the Bank requesting to debit the designated account and remit the same (amount to be indicated by the manufacturer) to the specified Excise Head of Account towards payment of ED/AED.
 - Manufacturer collects the Bank Challan with Bank's paid seal, for having paid the ED/AED to the Excise department.
6. The manufacturer proceeds to dispatch the goods to the intended KSBCL Depot/s with reference to the OFS issued and ED/AED Trade-Advance granted thereon.

7. While the ED/AED Trade-Advance shall be calculated on the OFS quantity, the manufacturer may not be able to supply the full OFS quantity resulting in under-utilization of the ED/AED Trade-Advance and consequently unutilised balance getting accumulated in the designated bank account.

REPAYMENT OF THE TRADE-ADVANCE

The ED/AED Trade-Advance shall be recovered with interest at 18%, from the weekly payment payable to the manufacturer. The mechanism for the same shall be as follows:

1. Ordinarily, on the day of the weekly payment, the ED/AED Trade-Advance sanctioned during the week before the preceding week shall be recovered fully with interest, but not exceeding the weekly payment due. Any shortfall in recoveries will be carried over to the next week or later weeks as may be required.
2. The Trade-Advance recovery from weekly payments shall be with reference to the total ED/AED Trade-Advance sanctioned and the dues thereon. The recovery shall not be with reference to Trade-Advance given for any particular brand/s and the sale of corresponding brand/s.
3. The MD, KSBCL shall have the powers to declare that unutilised balance lying in the designated bank account of a manufacturer shall belong to KSBCL. (may note that all the money in the said account has been credited by KSBCL only). On such declaration, the MD, KSBCL shall order for appropriation of the said balance towards the dues from the manufacturer and the bank shall act accordingly without the necessity of any permission from the manufacturer (may note that MD, KSBCL is a signatory to the said account)

RECOVERY OF TRADE-ADVANCE

1. The manufacturer shall ensure that every bottle for which he has availed ED/AED Trade-Advance sells within a maximum of 90 days. In case any stock remains unsold for more than 180 days, the ED/AED Trade-Advance amount with interest thereon, due if any shall be recovered forthwith and the items/brands coming under that category shall be categorized as slow moving and such slow moving stocks shall be excluded from the purview of the scheme i.e such stocks shall not be eligible for ED/AED Trade-Advance. Such slow moving items shall be considered for ED/AED Trade-Advance as and when the manufacturer applies therefor substantiating that the said goods are getting sold within 120 days. The decision of the Company in this regard shall be final and binding on the manufacturer.
2. In addition to the above, the manufacturer buy back the stocks which remain unsold for 180 days, within next 30 days, duly clearing the ED/AED Trade-Advance and interest thereon in one lumpsum forthwith.. In case this is not complied with by the manufacturer, KSBCL may auction such stock, appropriate the proceeds to the dues payable by the manufacturer and recover the balance from the manufacturer. In case auction is not feasible, KSBCL may destroy the

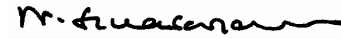
stock and recover the dues including the cost of destroying the goods from the manufacturer.

INDEMNITY

The manufacturer shall keep KSBCL indemnified from any loss, damage, costs on account of legal proceedings etc as a consequence of the ED/AED Trade-Advance sanctioned and disbursed to the manufacturer.

ARBITRATION

Any dispute arising on account of the operation of the scheme between the manufacturer and KSBCL shall be referred to the Arbitrator under the Indian Arbitration Act. KSBCL and the manufacture may appoint an arbitrator each and the third arbitrator shall be a person mutually agreed between KSBCL and manufacturer. The Arbitrator's decision shall be final and binding on the both the parties. Adjudication if any required shall be subject to the jurisdiction of courts in Bangalore.



N. Sivasailam
Managing Director

To

- i) All Manufacturers & Suppliers
- ii) OSD(F) / ED(CP) / ED (O)
- iii) CS / GM(O)
- iv) AGM(O) / JM(A/C)
- v) Circular – Master File & Spare copies

FORM NO. EDA-1

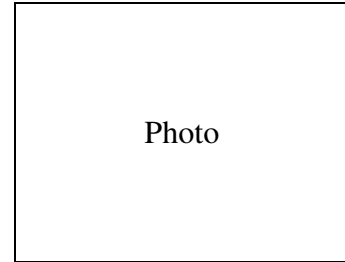
(To be given on Manufacturer's letter head)

Application for ED/AED loan

PART A

No.

Date:



Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

PAN No (The one which is furnished to the EC while obtaining License)

Mode of disbursal preferred: By cheque/ by Direct Transfer (Tick any one)

List of Brands to which ED/AED loan is requested:

Sl No	Name of the Brand and Code	Date from which the Brand is in existence
(Separate Annexure may be attached if the number is large)		

I _____ in my capacity as _____ (specify whether MD, Director, Proprietor ,Partner) apply for ED/AED loan under KSBCL'S scheme called "Funding ED/AED through Trade-Advance to Manufacturer".

I enclose herewith a copy of the Resolution approved by the Board of Directors of the Company/Partners to avail the Trade-Advance facility

I have gone through the guidelines/features / conditions of the said scheme and agree to abide by the same

The information furnished above is true to the best of my knowledge and belief.

Place:	Signature	:
Date :	Name	:
	Designation	:

To

The Managing Director
KSBCL

PART B

(For KSBCL's Office use only)

No:

Date:

Whether admitted to the scheme

: Yes/ No

Whether admitted for both ED and AED or only for AED

:

Limit fixed for the Trade Advance

: Rs. _____

ED/AED Trade-Advance ID No:

* Front-end interest at 1% of the limit fixed payable by
Manufacturer to KSBCL

: Rs. _____

Verified by

Audited by

Approved by

To:

1. Shri.....
Manufacturer

2. Designation
Excise Department

3. Designation
.....Bank(in case Direct Transfer has been chosen by the Manufacturer)

AGREEMENT

FORM NO. EDA2

Whereas Sri ----- representing -----hereinafter called the “Manufacturer” includes ----- being the First part;

Whereas Sri ----- ,Company Secretary, KSBCL representing Karnataka State Beverages Corporation Limited, a Government of Karnataka Enterprise, registered as a private limited company under the Companies Act 1956 hereinafter called the “KSBCL” includes ----- being the Second part;

Whereas the KSBCL has introduced a Scheme called “, for extending ED/AED Trade-Advance (hereafter called Scheme for short);

Whereas the Manufacturer, who manufactures Liquor under License from Government of Karnataka in Excise Department, is required to:

- Pay ED/AED (Additional Excise Duty) to the Government in Excise Department, before dispatching the liquor products from the distillery premises
- Sell his liquor products through KSBCL, as KSBCL is the sole distributor in the State of Karnataka for all liquor products

Whereas the Manufacturer requests KSBCL for OFS (Order for Supplies) under the Sourcing Policy of KSBCL and supplies his liquor products to KSBCL in pursuance to the OFS issued by KSBCL;

Whereas KSBCL stocks the liquor products received from the manufacturer, against OFS issued by KSBCL;

Whereas KSBCL sells the liquor products of the manufacturer to the retail licensees, and purchases the products to the extent of sale quantity, just before the sale;

Whereas KSBCL makes payment to the manufacturer, to the extent of sale made, on the subsequent weekly payment day;

Whereas the manufacturer is required to pay ED/AED in advance and wait for its return in installments (i.e. sale proceeds from KSBCL as and when and to the extent sales take place,) and therefore is required to invest large sums in ED/AED payments;

Whereas there is facility under the Scheme called “Funding ED/AED through Trade-Advance to manufactures / Suppliers” (hereinafter called ‘scheme’ for short) introduced vide Circular No.....dated....., to provide Trade-Advance to the manufacturer towards payment of ED/AED, hereinafter called “ED/AED Trade-Advance”;

Whereas the Manufacturer has read and understood the scheme in its entirety and desires to avail ED/AED Trade-Advance under the Scheme;

Whereas the Manufacturer has applied for the facility under the Scheme and he has been admitted to the Scheme by KSBCL;

Whereas on the request made by the manufacturer, KSBCL presently has fixed a ceiling of Rsfor the ED/AED Trade-Advance i.e. the ED/AED Trade-Advance sanctioned by KSBCL to the Manufacturer shall at no point of time exceed Rs.....,unless the said ceiling is revised as per the norms of the scheme

Whereas the Manufacturer has agreed to the said ceiling fixed of Rs.....

Now witnesses as follows:

II. THE MANUFACTURER AGREES TO THE FOLLOWING COVENENTS:

1. The Manufacturer shall abide by the Rules, Regulations and conditions stipulated under the scheme by KSBCL under its Circular No..... dated, including amendments if any that would be made by KSBCL to the said Circular from time to time.
2. The ED/AED Trade-Advance shall consist of two distinct stages viz first the sanction of ED/AED Trade-Advance and second its release and credit to the designated Bank account of the manufacturer. These two stages shall be gone through with reference to each OFS and the ED/AED Trade-Advance thereon. The Manufacturer understands and agrees to this.
3. The manufacturer does not derive any right to the ED/AED Trade-Advance unless it is first sanctioned. The sanction of ED/AED Trade-Advance by KSBCL shall be at its discretion based on the fund availability. Therefore KSBCL shall not be liable for any consequential loss/ damages which the Manufacturer may suffer on account of non-sanction of ED/AED Trade-Advance. However, once the Trade-Advance is sanctioned with reference to an OFS, the same shall be disbursed forthwith and the Manufacturer shall have the right to demand the same.
4. The manufacturer hereby secures the ED/AED Trade-Advance/s (obtained by him from KSBCL from time to time and the outstandings thereof including interest thereon) to the satisfaction of the KSBCL as follows:

Manufacturer hypothecates to KSBCL the Manufacturer's entire stock of goods held by KSBCL, for the time being in force, in addition to the goods the manufacturer would supply to KSBCL against the OFSs on which ED/AED trade-Advances have been sanctioned. On such stock, the KSBCL shall have the first charge. The manufacturer agrees to this and undertakes not to do anything that adversely affects KSBCL's right as first charge holder on the said goods hypothecated to KSBCL by him on floating charge basis.

5. Manufacturer shall utilize ED/AED Trade-Advance amount sanctioned and disbursed by KSBCL only and only for the payment of ED/AED in respect of quantities covered by OFS against which ED/AED Trade-Advance is sanctioned

6. The ED/AED Trade-Advance shall be recovered with interest at 18%, from the weekly payment payable to the manufacturer. The mechanism for the same shall be as follows:

- Ordinarily, on the day of the weekly payment, the ED/AED Trade-Advance sanctioned during the week before the preceding week shall be recovered fully with interest, but not exceeding the weekly payment due. Any shortfall in recoveries will be carried over to the next week or later weeks as may be required.
- The Trade-Advance recovery from weekly payments shall be with reference to the total ED/AED Trade-Advance sanctioned and the dues thereon. The recovery shall not be with reference to Trade-Advance given for any particular brand/s and the sale of corresponding brand/s.

Notwithstanding anything contained in the repayment mechanism stated above, the responsibility for repayment of ED/AED Trade-Advance outstanding, with interest at 18% shall be that of the manufacturer and he shall honour the same by repayment in one lumpsum, on demand by KSBCL

7. The manufacturer shall ensure that every bottle for which he has availed ED/AED Trade-Advance sells within a maximum of 90 days. In case any stock remains unsold for more than 180 days, the ED/AED Trade-Advance due in respect of such unsold stock with interest thereon, shall be paid by the manufacturer to KSBCL in one lumpsum on demand and KSBCL shall have the right to recover such dues forthwith out of any amount payable by KSBCL to the manufacturer, and such items/brands shall be categorized as slow moving and such slow moving stocks shall be excluded from the purview of the scheme i.e. such stocks shall not be eligible for ED/AED Trade-Advance. Such slow moving items shall be considered for ED/AED Trade-Advance as and when the manufacturer applies therefor substantiating that the said goods are getting sold within 120 days. The decision of the Company in this regard shall be final and binding on the manufacturer.

In addition to the above, the manufacturer shall buy back the stocks which remain unsold for 180 days, within next 30 days, by duly clearing dues if any on account of the ED/AED Trade-Advance and interest thereon in one lumpsum within the said 30 days. In case this is not complied with by the manufacturer, KSBCL shall have the right to auction such stock, appropriate the proceeds to the dues payable by the manufacturer and recover the balance from the manufacturer and the manufacturer shall pay such balance outstanding in one lumpsum on demand by KSBCL. In case auction is not feasible, KSBCL shall have the right to destroy such stock and recover the dues including the cost of destroying the goods from the manufacturer and the manufacturer shall pay such sums in one lumpsum on demand by KSBCL.

III. INTEREST ON “ED/AED TRADE-ADVANCE”

ED/AED Trade-Advance shall carry interest at 18 percent per annum calculated on daily basis payable from the date of sanction of the said Trade-Advance till it is recovered with interest.

In addition to the above, on the ED/AED Trade-Advance limit sought by the manufacturer and agreed to by KSBCL, a front-end interest at 1 percent of the limit so fixed shall be payable by the manufacturer irrespective of the actual Trade-Advance availed. However, such front-end interest shall be adjusted/set off against the 18 percent interest payable by the manufacturer on the actual Trade-Advance availed. If no Trade-Advance is availed, the amount shall be considered towards sanction of Trade-Advance limits.

Front-end interest shall be payable upfront i.e. at the time the ED/AED Trade-Advance limit is sought and sanctioned. Such front-end interest paid by the manufacturer on ED/AED Trade-Advance, may be adjusted by the manufacturer in 12 equal monthly installments against the interest payable by him to KSBCL on the actual ED/AED Trade-Advance availed.

The manufacturer may request for ED/AED Trade-Advance limit beyond the “Two times the average monthly sales in the last quarter in respect of all eligible brands”. KSBCL may examine and agree to such request. Such ED/AED Trade-Advance allowed by KSBCL shall be called “Additional ED/AED Trade-Advance”. Such additional ED/AED Trade-Advance shall also carry interest at 18 percent besides the 1 percent front-end interest. However, in respect of the Additional ED/AED Trade-Advance, the front-end interest shall not be adjusted or set-off against 18 percent interest payable by the manufacturer on the actual Trade-Advance availed.

IV. WORKING OF THE SCHEME

The ED/AED Trade-Advance amount will be released by KSBCL to the manufacturer as and when necessary, within the ceiling limit fixed, and the same shall be recovered with interest from the weekly payment payable to the manufacturer. The mechanism for the sanction of ED/AED Trade-Advance and its release and its utilization towards for payment of ED/AED shall be as follows:

8. The manufacturer applies for OFS.
9. The OFS applied should be supported by a certificate from the Excise Authorities to the effect that the quantity proposed to be supplied under the OFS to the Company is already manufactured and kept in the Bonded Warehouses and ready for dispatch .
10. OFS is issued on fulfillment of necessary norms. On the basis of the OFS quantity, the ED/AED is calculated and the requisite amount is sanctioned and released as Trade-Advance to the manufacturer. However, the amount of advance to be sanctioned and released as trade advance is limited to the purchase cost of the manufacturers goods

held by the KSBCL in its godowns, plus the cost of the goods the manufacturer would supply to KSBCL against the OFS.

11. KSBCL shall presume that Trade-Advance is required by the manufacturer, unless there is a specific request along with application for OFS not to sanction Trade-Advance.

12. While the ED/AED Trade-Advance shall be calculated on the OFS quantity, the manufacturer may not be able to supply the full OFS quantity resulting in under-utilization of the ED/AED Trade-Advance on each occasion and consequently unutilised balance getting accumulated in the designated bank account, in case the Manufacturer has opted for 'Direct Transfer'. Therefore the manufacturer may once in a month, request KSBCL in Form No. EDA5 to take back the unutilized amount lying in the designated Bank Account and appropriate the same towards the ED/AED Trade-Advance outstanding, so that his interest burden comes down to that extent. In such case, interest shall be calculated, from the date of appropriation, only on the balance outstanding after deducting the amount appropriated.

13. The said ED/AED Trade-Advance sanctioned shall be against the security as mentioned in II (4) above.

14. In case the manufacturer has opted for Cheque system, KSBCL shall give the manufacturer "Account Payee, Not Negotiable and Non Transferable" cheque/s, in favour of ".....". The manufacturer shall utilise the said cheque towards payment of ED/AED, in respect of the OFS issued, and obtain challan for having paid the ED/AED.

OR

In case manufacturer has opted for the 'Direct Transfer' mode of disbursement, the Trade-Advance shall be credited to the designated "Current Account Exclusively for payment of ED/AED" opened at Bank, (hereinafter called designated bank account for short) under intimation to the manufacturer, Bank and the Excise Department, in Form No.EDA6-B (by mail).

In case of such 'Direct Transfer' the manufacturer submits a challan to the Bank for debiting his designated bank account and crediting the same to the Excise Head of account towards payment of ED/AED. The mechanism works as follows:

- KSBCL credits the ED/AED Trade-Advance amount preferably through NEFT/ RTGS to the designated account and intimates the same to the manufacturer, Bank, and Excise Dept.
- The manufacturer submits a letter to Bank requesting to debit the designated account and remit the same (amount to be indicated by the

manufacturer) to the specified Excise Head of Account towards payment of ED/AED.

- Manufacturer collects the Bank Challan with Bank's paid seal, for having paid the ED/AED to the Excise department.

15. The manufacturer proceeds to dispatch the goods to the intended KSBCL Depot/s with reference to the OFS issued and ED/AED Trade-Advance granted thereon.

16. The interest shall be calculated on daily basis from the date of sanction of the ED/AED Trade-Advance.

V. RIGHT OF TERMINATION/MODIFICATION

The Company shall have exclusive authority to terminate the facility of the scheme to the manufacturer, without giving any reason therefor.

The company reserves the right to modify the scheme including the rate of interest etc. and the same shall be binding on the manufacturer. However the Company shall keep the manufacturers informed about modifications as and when they take place.

VI. WITHDRAWAL FROM THE SCHEME

Manufacturer may withdraw from the scheme with 1 month's notice in Form No. EDA4-Part A subject to the condition that no dues on account of ED/AED Trade-Advance availed by him shall remain unpaid at the end of next 2 weekly payments from the date of application. However no fresh ED/AED Trade-Advance shall be granted to the manufacturer from the date of receipt of the request for withdrawal. He shall continue to be liable for all payments under the scheme till he is discharged from the scheme in Form No. EDA4-Part C by KSBCL.

VII. INDEMNIFY

The manufacturer shall keep the KSBCL indemnified from any losses, damages,..... that KSBCL may suffer as a consequence of ED/AED Trade-Advance extended by KSBCL to the manufacturer.

VIII. ASSIGNMENT/TRANSFER TO THIRD PARTY

KSBCL shall have the right to assign, subrogate.....any other third party including the Insurer if any, the right/s to receive, recover the amounts outstanding for the time being, by the manufacturer to KSBCL, as per books of accounts of KSBCL, and such party shall derive all the legal rights over such amounts as are assigned, transferred by KSBCL. The manufacturer agrees to this and shall fulfill the consequential legal obligations arising on account of the same.

IX. ARBITRATION

Any dispute arising on account of the operation of the scheme between the manufacturer and KSBCL shall be referred to the Arbitrator under the Indian Arbitration Act. KSBCL and the manufacture may appoint an arbitrator each and the third arbitrator shall be a person mutually agreed between KSBCL and manufacturer. The Arbitrator's decision shall be final and binding on the both the parties. Adjudication if any required shall be subject to the jurisdiction of courts in Bangalore.

The KSBCL and the Manufacturer put their hand and seal agreeing to the above.

Witnesses

Manufacturer's name and signature

1)

2)

Company Secretary KSBCL

FORM NO. EDA3

(To be given on manufacturer letter head)

Letter of Irrevocable Authority

PART A

Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

PAN No :

Admitted for the ED/AED Trade-Advance facility by KSBCL on.....under ID No..... :

No:

Date:

Sub: Earmarking Current Account No_____ of _____, exclusively for ED/ AED Receipts and Payments

I, _____ along with MD, KSBCL, have opened Current Account at _____branch _____ (place) atBank, **only** for the purpose of:

1. Getting credits of ED/AED loan from KSBCL under KSBCL's scheme "Funding _____".

And

2. Making ED/ AED payments on liquor manufactured by us.

I hereby request you to limit the usage of the above account only for the above said two purposes only i.e. the Bank shall not accept any amount into this account other than ED/AED Trade-Advance from KSBCL and the Bank shall not permit any payment from this account other than payment of ED/AED by manufacturer/or returning the amounts to KSBCL as per KSBCL Circular No:.....dated.....

This is an irrevocable letter of authority given to the bank, which shall not be revoked without the express written concurrence of KSBCL

Place:	Signature	:
Date:	Name	:
	Designation	:

To

Designation
.....Bank
(Address)

PART-B

(For Official use of SBM only)

NO:

Date:

.....Bank hereby accepts the above arrangement and shall abide by the same. The above account usage shall not be changed unless the same is concurred both by the manufacturer and the KSBCL, in writing.

Date:	Name	:
Place:	Signature	:
	Designation	:

To

1. Shri.....
Manufacturer
2. The Managing Director
KSBCL
3. Designation
Excise Department

FORM NO. EDA4

(To be given on Manufacturer's letter head)

Application for withdrawal from.....Scheme

PART A

Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

PAN No :

Admitted for the ED/AED Trade-Advance facility on.....under No.....:

No:

Date:

I am presently availing the facility under the Scheme.

I _____ hereby give a month's notices that _____ I would like to withdraw from the said scheme.

I agree that all dues payable by me to KSBCL under the scheme be recovered from the future weekly payments due to me.

I also agree that if any dues remain unpaid after recovery in next two Weekly Payments, the balance would paid by me immediately failing which I agree to pay penal interest at 24%

I also agree that KSBCL may, if its dues remain unpaid to its full satisfaction within the month's notice period, apart from above stated actions, may initiate any legal action thought fit, against me.

Date :

Signature :

Place:

Name :

Designation :

To

Managing Director,
Karnataka State Beverages Corporation Ltd

PART B

(For KSBCL Office use only)

No:

Date:

1. Receipt of application requesting for withdrawal from the scheme as above is acknowledged .
2. Total dues as onfrom the manufacturer is RsKSBCL shall recover the said amount with interest in the next weekly payment on, and balance if any from the subsequent weekly payment on.....
3. No further fresh ED/AED Trade-Advance shall be sanctioned.
4. You shall continue to be liable under the scheme until all dues are cleared by you to the satisfaction of KSBCL and you receive communication under Part-C below from KSBCL confirming deletion of your name from the Scheme.

Verified by

Audited by

Approved by

PART C

Your request for withdrawal from the _____scheme has been agreed and accordingly your name has been deleted from the Scheme with effect from _____.

Verified by

Audited by

Approved by

FORM NO. EDA5

(To be given on manufacturer letter head)

Request to withdraw unutilized amount in designated Bank Account

PART A

Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

Admitted for the ED/AED Trade-Advance facility by KSBCL on.....under ID
No..... :

No:

Date:

I request that an amount of Rs..... lying in the Designated Bank Account (Current Account No.....atBank), which could not be utilized for payment of ED/AED, may please be withdrawn and credited to my outstanding ED/AED Trade Advance.

Signature :

Name :

Designation :

To

The Managing Director
Karnataka State Beverages Corporation Limited
No. 78, Seethalakshmi Towers
Mission Road
Bangalore-560 027.

PART B

(For KSBCL's Office use only)

No:

Date:

We confirm that in pursuance to your request an amount of Rs._____ lying in the Designated Bank Account (Current Account No.....atBank) has been withdrawn and credited to your ED/AED Trade Advance. After deducting the said amount the balance ED/AED Trade-Advance payable by you as on _____ is Rs._____.

Verified by

Audited by

Approved by

To

Shri.....
Manufacturer

FORM NO. EDA6-A

**Sanction and Disbursal of ED/AED Trade Advance
(in respect of those who have chosen disbursal through cheques)**

No:

Date:

PART-A

Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

Trade-Advance ID No :

OFS No :

OFS Quantity :

ED Payable on OFS Quantity :

AED Payable on OFS Quantity :

Total ED/AED Trade Advance entitled :

We hereby sanction ED/AED Trade-Advance of Rs. _____ against the OFS mentioned above.

The said amount of Rs. _____ is disbursed through the following cheques:

Sl No	Cheque No	Amount (Rs)
Total		

:: 2 ::

The said Trade Advance shall be utilized only for the purpose of payment of ED/AED

Verified by

Audited by

Approved by

To

1. Sri _____

Manufacturer
Address

2. Designation
_____ Bank
Address

3. Designation
_____ Excise Department
Address

FORM NO. EDA6-B

**Sanction and Disbursal of ED/AED Trade Advance
(in respect of those who have chosen DirectTransfer)**

No:

Date:

PART-A

Name of the manufacturer & Address :

Firm/Company's Name & Address :

Code No :

Trade-Advance ID No :

OFS No :

OFS Quantity :

ED Payable on OFS Quantity :

AED Payable on OFS Quantity :

Total ED/AED Trade Advance entitled :

We hereby sanction ED/AED Trade-Advance of Rs. _____ against the OFS mentioned above.

The said Trade Advance has been credited to your designated bank Account No.....

The said Trade Advance shall be utilized only for the purpose of payment of ED/AED.

Verified by

Audited by

Approved by

To

1. Sri _____
Manufacturer
Address

2. Designation

_____ Bank

Address

3. Designation

_____ Excise Department

Address

PART-B

I request that an amount of Rs. _____ (Rupees only) in my Designated Bank Account No. at Bank, may please be transferred and remitted to the Excise Head of Account towards payment of ED AND Excise Head of Account towards payment of AED, not exceeding respective amounts approved in Part-A.

Signature :

Name :

Designation :

To

Head of the Bank Branch,

_____ Bank

Address