

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Circular No.141

01.08.2007

Sub : Advances against Weekly Payment

On account of ban on sale of arrack from 01.07.2007, the IML sales have gone up by more than hundred percent. The distilleries naturally are trying to increase their production and supply, to match the increased demand. This has resulted in steep increase in working capital requirement of the distilleries.

The company hitherto has been providing advances against ED and AED paid in respect of fast moving stock, at an interest rate of 18% p.a.

However, on account of the steep increase in day today working capital requirement of the distilleries, several requests are being received for payment of ad-hoc advances against weekly payments, to the extent of sales effected.

Though sales get concluded on the day of the Sales Invoice, the actual sale proceeds get credited to the Company's Bank accounts much later. Therefore the company has been charging an interest rate of 18% on such advances also. However, the distilleries have requested the Company to consider bringing down the rate of interest on these advances as the risk involved in respect of these advances is much less as the Company advances against sales effected, for which the sales proceeds would certainly get credited to Company's Bank A/c in course of time.

Considering the above, it has been decided to extend advances against weekly payment, not exceeding the sales effected, at an interest rate of SBAR (State Bank of India advance rate) plus 0.5%. The prevailing SBAR is 12.75% and therefore lending rate comes to 13.25%. The prevailing rate of SBAR as at the end of each quarter (31st March, 30th June, 30th September & 31st December) shall be reckoned for the purpose of charging interest.

The advance so paid shall be fully recovered with interest in the subsequent weekly payment.

A manufacturer / supplier shall not be entitled to ask for more than two advances during any week (from Tuesday to Monday).

(N. SIVASAILAM)
Managing Director.

To

- i) All Manufacturers & Suppliers
- ii) All Primary & Composite Distilleries
- iii) OSD(F) / Executive Directors
- iv) GM(O) / CS / DGM(O) / AGM(O) / AGM(F) / C(A) / A.A.O / Managers
- v) All Spirit Depot Managers
- vi) All IML Depot Managers
- vii) Circular – Master File