

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Circular No 165

25.04.2008

The following circulars shall stand superceded with immediate effect :

1. Circular No.151 dated 30.10.2007.
2. Circular No.159 dated 10.01.2008.

Under caption “Advance towards duties paid for stocks delivered” in the Liquor Sourcing Policy for 2007-08 vide Circular No.133 dated 19.06.2007, the existing para 12 along with Annexures mentioned therein, shall stand substituted by the following with immediate effect.

“ **12. Advance towards duties paid for stocks delivered**

12.01 The Corporation may, on an ongoing basis, advance the Excise Duty and Additional Excise Duty remitted by manufacturers located within Karnataka in respect of stocks delivered in good condition and acknowledged as such in MIS, provided such stocks are not subject to any charge. The scale of the advance under this scheme called “ED/AED Advance Scheme” would be as follows :

Manufacturer while applying for admission to the Scheme, in Annexure XVI will indicate the maximum ED/AED Advance limit that he proposes to avail.

All manufacturers who have been admitted to the Scheme will be allowed ED/AED 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 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 Advance limit once in a quarter in multiples of Rs.25 lakhs. The ceiling includes adhoc advances also. The advance lent at any point of time, including adhoc advance, shall not exceed the ceiling limit fixed.

12.02 Manufacturers/suppliers who would like to avail the ED/AED advance facility may apply in Annexure-XVI and after its acceptance by KSBCL, conclude an agreement as given in Annexure-XVII before the advance can be paid. The agreement stipulates conditions

of grant of advance, the ceiling limit of advance, rate of interest and repayment mechanism etc.

12.03 The advance shall carry interest rate determined by KSBCL from time to time. ”

This will come into effect from 01.05.2008


(N. Sivasailam)
Managing Director

To,

- i) All Manufacturers & Suppliers
- ii) OSD(F)/ED(O)
- iii) CS&ED/GM(O)
- iv) DGM(L)/DGM(S)
- v) Managers
- vi) JM(A/c)

Annexure - XVI

(To be given on Manufacturer’s letter head)

Application for ED/AED advance

PART A

No.

Date:

Photo

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)

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 Advance to Manufacturer”. The maximum limit for advance required shall be Rs.

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

Limit fixed for the Advance : Rs. _____

ED/AED 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:

Shri.....
Manufacturer

AGREEMENT

Annexure - XVII

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 “ED-AED Advance Scheme”, for extending ED/AED 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 Advance to manufactures / Suppliers” to provide Advance to the manufacturer towards payment of ED/AED, hereinafter called “ED/AED Advance”;

Whereas the Manufacturer has read and understood the scheme in its entirety and desires to avail ED/AED 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 Advance i.e. the ED/AED 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 manufacturer does not derive any right to the ED/AED Advance. The sanction of ED/AED Advance by KSBCL shall be at its discretion based on the fund availability.

3. The manufacturer hereby secures the ED/AED 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 MIS. 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.

4. Manufacturer shall utilize ED/AED Advance amount sanctioned and disbursed by KSBCL only and only for the payment of ED/AED.

5. The total advance at any point of time including adhoc advance vide Circular No.141 dated 01.08.2007 shall not exceed the ceiling limit fixed.

6. The ED/AED Advance shall be recovered with interest at 18% (including 1% for insurance), 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 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. However, Supplier / Manufacturer may request for a repayment pattern suitable to him, which the Company may

consider on merits, and agree at its discretion with the approval of the Managing Director.

- The recovery of ED/AED Advance from weekly payments shall be with reference to sale of brands / products for which ED/AED Advance is sanctioned, and the dues thereon.

Notwithstanding anything contained in the repayment mechanism stated above, the responsibility for repayment of ED/AED 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 Advance sells within a maximum of 90 days. In case any stock remains unsold for more than 180 days, the ED/AED 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.

8. 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 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 AND INSURANCE CHARGES ON “ED/AED ADVANCE”

ED/AED Advance shall carry interest at 18 percent per annum. Whereas 17% will be retained by KSBCL, 1% will be spent towards insurance on advances.

Out of the 18% payable as above, initially 1% on the ED/AED advance limit sought by the manufacturer and agreed to by KSBCL shall be payable by the manufacturer irrespective of the actual advance availed. Remaining 17% shall be paid on actual advance availed and the same shall be calculated on daily basis payable from the date of sanction of the advance till it is recovered with interest.

The manufacturer may request for an increase (not decrease) in the ED/AED advance limit once in a quarter in multiples of Rs.25 lakhs. As and when the ceiling limit is raised, 1% initial payment shall be payable irrespective of actual advance availed.

IV. 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.

V. WITHDRAWAL FROM THE SCHEME

Manufacturer may withdraw from the scheme with 1 month's notice subject to the condition that no dues on account of ED/AED 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 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.

VI. INDEMNIFY

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

VII. 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.

VIII. 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