

Sub:- ACCOUNTS - VUDA - Mega Housing Project at Madhurawada  
- Obtaining of loan from Indian Overseas Bank,  
Visakhapatnam - Approval - Requested.  
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AGENDA NOTE:

The Engineering Wing has prepared a Project Report on Mega Housing Scheme at Madhurawada. The work was entrusted to M/s Jurong Infrastructure (P) Ltd, Bangalore for execution design - built - contract at an estimated cost of Rs. 265.77 Crores, which will be completed within 2 years.

It is proposed to obtain loan of Rs. 100.00 Crores from the various financial institutions & Banks for the smooth running of the Project. The Indian Overseas Bank & HUDCO have come forward and offered their willingness to sanction loan for the Project and submitted their proposals.

While going through the details of the proposals submitted by the Indian Overseas Bank & HUDCO, it is observed that

1. The rate of interest offered by Indian Overseas Bank is 11.25%, which is 0.50% higher than the rate offered by HUDCO, and there by additional amount of Rs. 50.00 lakhs will be charged towards interest per annum.
2. There will be no upfront fee if loan is obtained from Indian Overseas Bank where as HUDCO charges 0.50% (0.50%)

on the loan amount) and the amount has to be paid at the beginning itself whether the loan facility is availed totally at a time or in instalments. The higher rate of interest charged by Indian Overseas Bank will be offset by upfront fee of Rs. 50.00 lakhs charged by HUDCO.

3. The processing fee charged by Indian Overseas Bank is Rs.1.00 lakh + service tax as against Rs. 5.00 lakhs charged by HUDCO. The rate of interest will be fixed by Indian Overseas Bank for 6 months and it can be insisted for 1 year where as floating rates offered by HUDCO may charge at any time. There will be no prepayment charges with Indian Overseas Bank / HUDCO.

4. As per the interest calculation sheet, the total amount of interest to be paid by VUDA is on higher side if we opt loan from HUDCO. The instalment (E.M.I) is to be paid on prescribed date failing which interest will be charged for the entire month. Since VUDA is having account with Indian Overseas Bank and daily receipts are deposited in Indian Overseas Bank the loan repayment can be made from the surplus amount available in the General Account and further from the account, which has to be opened in the Indian Overseas Bank. Thereby interest amount will be minimized. The interest will be charged on the reducing balances only. The working sheets regarding interest to be charged tentatively furnished by HUDCO and Indian Overseas Bank also reveal the same.



The matter has been discussed with our Internal Auditors alongwith the representatives of Indian Overseas Bank / HUDCO and the Internal Auditor is of the opinion that upfront fee of Rs.50.00 lakhs must be paid to HUDCO whether we use total loan facility or not. Whereas Indian Overseas Bank higher rate of interest is on the amount of loan availed can be reduced by early payment from the surplus funds & thereby the interest amount can be minimized.

In view of the above, it is advantageous to take loan from Indian Overseas Bank if the repayment period of the loan is one year as proposed in the Project Report.

Hence it was decided to take loan from Indian overseas bank and the project report alongwith loan application was sent to the Indian Overseas Bank-VUDA Br, Visakhapatnam for sanction of loan. The Indian Overseas Bank, Visakhapatnam sanctioned loan of Rs. 100.00 Crores with the following terms and conditions,

- 1 The loan of Rs. 100.00 Crores carries interest of 11.25% per annum fixed.
- 2 Prepayment charges waived.
- 3 Processing charges of Rs. 1,00,000 is to be paid.
- 4 Audited financial statements for the year ended 31.3.2006 and 31.3.2007 are to be furnished when audit by CAG is completed. In the man time provisional Balance Sheets as on 31.3.2006 and 31.3.2007 be submitted.

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- 5 Repayment: The loan is to be repaid in 4 quarterly instalments of Rs. 25.00 Crores each and first of such repayment false due on 30.09.2007. Interest is to be serviced as and when debited.
  - 6 Security: The loan is to be secured primarily by making lien on ESCROW account through which the entire sale proceeds relating to the Project are to be pooled. An undertaking letter stating that the repayment obligations from cash flows from other projects in case the funds available in ESCROW account is insufficient to meet the repayment obligations is to be furnished.
  - 7 Guarantee: Nil

Hence the matter is placed before the VUDA Board for approval and ratification for obtaining loan from Indian Overseas Bank for Rs. 100.00 Crores for execution of the Mega Housing project of Madhurawada with the above terms and conditions.

VUDA Resolution No.195, dated 28-08-2007

Recorded In Resolution No.200.

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Chairman, VUDA