SPECIAL AREA DEVELOPMENT AUTHORITY, GWALIOR

Sanction of loan of Rs. 6000.00 Lakhs for Land Development Project

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EXECUTIVE SUMMARY

1.	**Project**	Infrastructure development of residential scheme in Gwalior
2.	**Project Cost** *in Rs. Lakhs*	**8000.00**
3.	**Means of Finance** *(Rs. in Lakhs)*	
	NCRPB loan	6000.00
	Own Contribution	2000.00
	Total	**8000.00**
4.	**Draw down schedule of loan** *(Rs. In Lakhs)*	
	Tranche 1	2250.00
	Tranche 2	3750.00
5.	**Security Mechanism**	As the loan is taken by the state government of Madhya Pradesh a letter of comfort from the state finance department would be obtained confirming that the interest payment and principal repayment would be made by the state government
6.	**Terms of loan**	Interest rate – 9.50% Tenor – 5 years Principal moratorium – 2 years Instalments – 3 annual instalments
7.	**Implementation period**	Two years

APPRAISAL SUMMARY

1. INTRODUCTION

Gwalior has been declared as priority urban region of Madhya Pradesh. The city is the largest urban centre in the Gwalior-Agra Region, which comprises the Districts of Gwalior, Bhind, Morena, Sheopur, Guna, Datia and Shivpuri. The basic economic activity of the town is trade and commerce and Gwalior acts as the principal collection and distribution centre of the region. The city has a significant socio-cultural status and rich architectural heritage. Gwalior town with its strategic location on the Delhi-Agra-Bombay route coupled with the presence of the majestic Gwalior fort makes it an important tourist town of India. NCRPB in its 1989 regional plan has identified certain counter magnet towns which will help reducing people migrating to National Capital. One of such counter magnet town is Gwalior in Madhya Pradesh. In order to have special focus on the counter magnet area a separate Special Area Development Authority (SADA) has been formed. The jurisdiction of SADA covers an area of 30,000 hectares of which 6,500 hectare is Government property; approximately 9,000 hectare is privately owned; and over 14,500 hectare is reserve forest. Majority of the area cover in Gwalior with fewer spill over in Morena district. In order to decongest the existing city and to address the housing needs, SADA developed a residential project and has approached NCRPB to get financial assistance to implement the project.

2. COMPLIANCE WITH REGIONAL PLAN

Counter-Magnet Areas (CMAs) to NCR, as envisaged in Regional Plan, should be such urban areas as may be located sufficiently away from NCR and should have its known established roots and inherent potentials to function as viable independent growth center. Such identified Counter magnets should have the attributes of physical, social & economic viability, a nodal centre with respect to transportation network and have the quality of physical linkages in the form of transportation and communications facilities. With this objective Gwalior has been identified as a Counter Magnet Area to NCR in Madhya Pradesh, which should be developed in such a way that the people of MP should be attracted at Gwalior rather than migrating to National Capital. To manage the development a Special Area Development Authority (SADA) has been formed.

In order to meet the objective of CMA at Gwalior, it is essential that the town has sufficient housing facility. The proposed project is a Residential development project proposed by SADA and hence it is in compliance with the regional plan.

3. TECHNICAL APPRAISAL

3.1. Demand - Supply Gap

As a NCR counter magnet area, the city of Gwalior is expected to play two major functions:

- To reduce the migration from less developed area of Madhya Pradesh to National Capital.
- To act as regional growth centre and to help attain a balanced pattern of urbanization in the sub-region.

To achieve the above objective necessary economic activity has to be developed along with the required level of housing in new areas in order to decongest the city. Hence SADA has proposed to develop this residential project which has provision for residential area, school, market and work space. However inorder to assess the demand of the plots, SADA can float an expression of interest and can assess the real demand.

3.2. *Technical details*

SADA has proposed this land development and has proposed three categories of plots namely HIG, MIG and LIG with size of 600 m^2, 200 m^2 and 60 m^2 respectively. SADA has proposed to develop various infrastructure facilities such as roads, drains, water supply line, sewer lines, electricity lines, telephone cables, etc in the layout. In addition various other provisions such as markets, office space, schools, etc has also been provided in the layout.

The component wise break up of cost estimate of the project is given in **Table 2:**

TABLE 2 – Abstract of Project Cost

Sl. No.	**Description**	**Amount** In Rs. Lakhs
1.	Cost of land development including cost of providing road, drain, water supply line, sewerage network and Electrification	5881.48
2.	Planning Designing & Consultancy + Design of allied services @ 2.50%	147.03
3.	Cost of Land	2000.00
	Total	8028.51
	Rounded off	Rs. 80.00 Crores

Though the project includes roads, water supply, sewerage and electrification, the DPR has only estimates for all these services. However a detailed design and implementation plan has to be prepared and included in the DPR. In addition it is mentioned that provision for water supply is included in the project cost, however it is also mentioned in chapter 3.4 of the DPR that the water supply scheme has already been implemented. SADA has to clarify whether the cost of already executed water supply scheme is included in the project and if yes the current status has to be given to the board.

The proposed site is a vacant land. As part of the project it is proposed to construct sewerage system. The sewerage system would be functional only when there is minimum level of habitants in the area. The street lights proposed are 40W fluorescent lamp which not energy efficient. Hence SADA may consider providing equivalent energy efficient lamps.

The cost of development as per schedule of rate is Rs. 4950.06 Lakhs. However due to escalation in market prices for different items the development cost has been increased to Rs. 5881.48 Lakhs. But in general the schedule of rates would be updated every year and SADA should have followed the updated PWD SOR.

As part of this project SADA has proposed to develop water supply and sewer system. However after development, the details of both O&M cost, as well as institutional arrangement to maintain the system is not indicated..

Building Materials & Technology Promotion Council, New Delhi was appointed as the appraisal agency for this project. BMTPC has appraised the project technically and has given its observations. These observations were addressed by SADA. After the revision the appraisal agency confirmed that the project can be considered for financing.

4. FINANCIAL APPRAISAL

4.1. Means of Finance

As per NCRPB lending policy, the financial assistance would be extended only for 75% of the project cost. The means of finance is worked out based on this policy and is given in **Table 3.**

TABLE 3: Means of finance

	Amount *(Rs. In Lakhs)*
NCRPB loan	6000.00
Own Contribution	2000.00
Total	**8000.00**

4.1.1. Loan terms of NCRPB loan

Generally NCRPB follows common terms of loan which is 9.50% interest rate and 10 years tenor including two years principal moratorium for land development projects. However this project gets all its revenue in three years after implementation and there is no revenue or expenses expected after three years as all lands would be sold. Hence it is suggested that the tenor of the loan may be restricted to the project period which is five year including two years principal moratorium. The principal would be repaid in three annual instalments.

4.1.2. Draw down schedule of loan

The draw down schedule is proposed based on the implementation period of the project. The draw down schedule is given in **Table 4.**

TABLE 4: Draw down schedule of loan

Tranche	**Amount** *(Rs. In Lakhs)*
Tranche 1	2250.00
Tranche 2	3750.00
Total	**6000.00**

4.2. Project Financial Appraisal

As the proposed residential project is a revenue generating project, project cash flow has been prepared. The sources of income and the project cash flow are given in **Table 5** and **Table 6** respectively.

Table 5: Income from sale of residential plots

Sl. No	**Type of plots**	**Size of plots in sq. m**	**Total No. of Plots**	**Plots@Rs.650/sq.m**		**Plots @ Rs. 784/sq.m**		**Total Income** *in Rs. Lakhs*
				Nos.	**Amount in Rs. Lakhs**	**Nos.**	**Amount in Rs. Lakhs**	
1	HIG	600	894	871	3396.90	23	108.19	3505.09
2	MIG	200	3647	3445	4478.50	202	316.74	4795.24
3	LIG	60	1127	1068	416.52	59	27.75	444.27
	Total residential		**5668**	**5384**	**8291.92**	**284**	**452.68**	**8744.60**
4	Others	166500	@ Rs. 750/sq.m		1248.75			1248.75
							Grand Total	**9993.35**

With the above sources of revenue and terms of loan the project cash flow is prepared and given in **Table 6.**

Table 6: Cash flow of the project

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Income						
Loan	2250.00	3750.00				
Own Contribution	2000.00					
Income from sale of plots			2498.34	2498.34	2498.34	2498.34
Total	**4250.00**	**3750.00**	**2498.34**	**2498.34**	**2498.34**	**2498.34**
Expenses						
Project Expenses	4250.00	3750.00				
Interest Payment		185.63	495.00	495.00	330.00	165.00
Principal Repayment		0.00	0.00	2000.00	2000.00	2000.00
Total	**4250.00**	**3935.63**	**495.00**	**2495.00**	**2330.00**	**2165.00**
Opening Balance	0.00	0.00	-185.63	1817.71	1821.05	1989.39
Surplus/Deficit	0.00	-185.63	2003.34	3.34	168.34	333.34
Closing Balance	**0.00**	**-185.63**	**1817.71**	**1821.05**	**1989.39**	**2322.73**

It may be observed that, there is deficit in year-2 because of interest payment during construction period. As there may not be any revenue from the project during construction period, Government has to pay the interest from its budgetary support.

The cost of fund for the project is 8.63% and the IRR is 9.53% which is more than the cost of funds. The average DSCR is 2.07 which satisfy the general norm of 1.25. However the project is highly sensitive towards demand and price of plots, as even if 10% of plots or not sold then the IRR becomes 4.86% which is less than the cost of funds and DSCR for two years becomes less than one.

With the above ratios the project is financially viable but is highly sensitive towards the demand and price of the plots.

Assumptions:

i. Though SADA has mentioned that the plots would get sold and all revenue would be realised in three year immediately after implementation of project. However it is assumed that no plots were sold already and would get sold in four years (25% each year)
ii. A nominal rate of 6% is assumed as cost of state contribution.

4.3. Borrower Financial Appraisal

As state government is the borrower state government finances were reviewed. The past financials of Madhya Pradesh state is given in **Table 7**. A snap shot of the past financial position of the state government from 2004-05 to 2008-09 reflects growth in both revenues as well as expenditure. The compounded annual growth rate (CAGR) of revenue income from 2004-05 to

2007-08 is 11.66% and revenue expenditure is 9.17%. Thus the rate of growth of revenue income is more that the growth of revenue expenditure, facilitating reduction in fiscal deficits from Rs. 6491.77 Crores in the year 2004-05 to Rs. 2783.92 Crores in the year 2007-08. However this positive trend was reversed in 2008-09 when revenues were affected by the economic slowdown, whereas revenue expenditure went up dramatically. It is hoped that this is a temporary aberration and the state will revert to its trajectory of fiscal prudence. The CAGR of capital receipts from 2004-05 to 2006-07 is -26.17% (up to 08-09 it is -0.06%) which shows decreasing trend in the capital receipts whereas the CAGR for capital expenditure for same three year period is 9.17% (12.01% for five years). It may be observed that the CAGR for capital expenditure is more that the capital receipt, which shows that the state is allocating more resources for plan expenditure.

The financial performance of the state government has also been analysed based on 12th Finance Commission, recommendations and compared with NCR states and the national average. The 12th Finance Commission, as part of restructuring of public finances, has recommended certain measures to improve the long term financial sustainability of Centre and state governments. The suggested indicators suggested by the 12th finance commission include the following:

- The Tax to GDP ratio should be improved to 17.6 % by 2009-10
- Debt to GDP ratio to be brought down to 75% by 2009-10
- Fiscal deficit to GDP should be less than 3%
- There should not be any revenue deficit by 2008-09
- Interest payment to revenue receipts to be brought down to 15% in case of state government

The above ratios were computed for Madhya Pradesh and all four NCR states namely Haryana, Delhi, Uttar Pradesh and Rajasthan and the comparison is shown in **Table 8**.

The analysis shows that Madhya Pradesh has achieved most of the targets in 2008-09 except the fiscal deficit in 2008-09 which has slipped marginally. However due to the slow down in the economy the deficit has increased in the year 2008-09. Even the Centre in its budget has relaxed the norms of gross fiscal deficit by 0.5% for 2008-09 and further 0.5% for 2009-10 to extend the fiscal stimulus to accelerate the growth in economy. Thus with the recommendation of centre for temporary increase of 0.5% of fiscal deficit ratio, the state has achieved most of the targets. On the whole, Madhya Pradesh has demonstrated reasonable level of economic and fiscal management.

Table 7: Madhya Pradesh state financials

		2004-05	2005-06	2006-07	2007-08	2008-09
	All in Rs. Crores	**Actual**				**Revised Estimates**
I	**Revenue Receipts**					
1	Tax Revenue	12849.65	15456.06	18561.67	22221.14	24767.52
2	Non-Tax Revenue	4461.86	2208.2	2658.46	2738.18	3145.31
3	Grant-in-aid of Central Government	2431.74	2932.54	4474.15	5729.41	7036.17
	Total Revenue Receipts (A)	**19743.25**	**20596.80**	**25694.28**	**30688.73**	**34949.00**
II	**Capital Receipts**					
4	Recoveries of Loans	53.20	2851.98	38.42	118.10	49.83
5	Public Debt. (Net)	993.72	4206.69	2871.44	1693.95	4754.26
6	Misc.Capital Receipts	5457.62	393.08	-501.2	120.59	1679.40
	Total Capital Receipts (B)	**6504.54**	**7451.75**	**2408.66**	**1932.64**	**6483.49**
	Total Receipts (C)	**26247.79**	**28048.55**	**28102.94**	**32621.37**	**41432.49**
III	**Revenue Expenditure**					
	Non-Plan Expenditure	16244.19	19274.47	17224.48	19117.05	23527.18
7	On Revenue Account	14861.20	16351	16910.51	18794.82	23316.17
	Plan Expenditure					
8	On Revenue Account	3165.18	4212.48	5452.09	6806.29	8462.77
	Total Rev. Expenditure (D)	**18026.38**	**20563.48**	**22362.60**	**25601.11**	**31778.94**
IV	**Capital Expenditure**					
	Non-Plan Expenditure					
9	On Capital Account	1382.99	2923.47	313.97	322.23	211.01
	Plan Expenditure					
10	On Capital Account	3567.99	3699.81	4855.97	6510.47	6442.01
	Total Capital Expenditure (E)	**4950.98**	**6623.28**	**5169.94**	**6832.70**	**6653.02**
V	**Loans and Advances**					
11	Non-Plan loans and advances	2774.65	796.53	750.71	710.55	1136.01
12	Plan loans and advances	536.21	37.91	263.68	446.39	802.02
	Total Loans & advances (F)	**3310.86**	**834.44**	**1014.39**	**1156.94**	**1938.03**
	Total Expenditure (G)	**26288.22**	**28021.20**	**28546.93**	**33590.75**	**40369.99**
	Revenue Surplus(+)/ Deficit(-) = (A)-(D)	**1716.87**	**33.32**	**3331.68**	**5087.62**	**3170.06**
	Fiscal Surplus(+)/Deficit(-) = (A)+(4)-(G)	**-6491.77**	**-4572.42**	**-2814.23**	**-2783.92**	**-5371.16**

 # Source: Madhya Pradesh state budgets

TABLE 8: Comparison of state fiscal indicators

	Norms	Madhya Pradesh		Haryana		Delhi		Rajasthan		Uttar Pradesh		Consolidation of 27 states (w.r.t GDP)		Center (w.r.t GDP)	
		FY08	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**	**FY08**	**FY09**
Revenue deficit/GSDP	**Zero by FY09**	Surplus by 3.57%	Surplus by 2.04%	0.12%	2.04%	Surplus by 2.65%	Surplus by 3.69%	Surplus by 0.20%	Surplus by 0.89%	Surplus by 3.54%	Surplus by 4.05%	Surplus by 0.9%	Surplus by 0.1%	0.20%	4.40%
fiscal deficit/ GSDP	**<3%**	1.95%	3.46%	3.46%	5.39%	5.12%	4.33%	Surplus by 0.15%	Surplus by 0.14%	0.83%	Surplus by 0.68%	1.50%	2.70%	4.20%	8.90%
Debt/GSDP	**<75% by FY10**	42.73%	41.24%	27.50%	28.61%	26.34%	23.24%	61.22%	63.43%	--	--	27.80%	27.10%	60.10%	58.90%
Interest payment/ revenue receipts	**<15%**	13.66%	12.83%	11.88%	10.81%	16.49%	14.02%	19.65%	19.52%	18.31%	17.00%	2.10%	2.00%	24.60%	24.50%
Tax Income/ GSDP	**>17.6% by FY10**	15.59%	15.94%	12.72%	14.41%	12.14%	11.47%	10.19%	10.96%	10.89%	11.93%	9.20%	9.40%	18.50%	18.10%
GSDP Growth at nominal rates		5.25%	5.56%	9.35%	8.02%	15.06%	12.48%	7.11%	5.48%	7.16%	6.46%			9.01%	6.70%

#Source: RBI Annual report 2008-09 and respective Government website. Data on debt outstanding for UP is not available hence not included.

5. ECONOMIC APPRAISAL

As the project is financially viable the Economic appraisal is not required to justify the investment.

6. ENVIRONMENT AND SOCIAL ASSESSMENT

6.1. Environment Appraisal

The proposed project is development of residential area in Gwalior. It is mentioned in the DPR that there is no development taken place in the land and hence this scheme is proposed in that area. However there is no details available on the categories of land, No. of tree cuttings, etc. An initial environmental examination may be conducted for this project and based on the examination, if required a detailed EIA has to be prepared by SADA.

6.2. Social Appraisal

It was mentioned that the land is acquired for this project. However the details of R&R made is not available. SADA has to share the same with NCRPB.

In addition, SADA has to obtain necessary Environmental and Social related approvals from various departments.

7. INSTITUTIONAL FRAMEWORK AND RESPONSIBILITIES

SADA is formed in 1992 and has implemented various similar development projects. The details on the employees and the past experience of the organisations is required to comment on the institutional capacity of SADA

8. SECURITY

8.1. Direct Government Borrowings

The Government of Madhya Pradesh is availing the loan and a letter of comfort would be obtained from the state finance department confirming that interest payment and principal repayment could be made by the state government.

9. RISK IDENTIFICATION AND MITIGATIONS

Two major risks for the proposed project are demand and price risk

i. SADA has justified that the rates fixed for the plots as per the government norms and are below the market rates prevailing in that area; hence price risk can be mitigated.

ii. In order to mitigate demand risk, SADA has to make wider publication of the proposed facilities in the layout and the expected future growth in that area. In addition SADA can also publicise the development initiatives made/to be made by the government in that area.

iii. Before starting implementation SADA can float an expression of interest, so that the development initiatives can be taken up based on the demand.

iv. SADA has to make a Simpler and transparent procedure for allocation of plots.

10. IMPLEMENTATION PERIOD

The project would be implemented in two years.

11. QUALITY STANDARDS

The project has a component of road development, drain development, water and sewerage network development. Hence the same has to be designed and implemented as per IRC/CPHEEO standards along with relevant IS standards.

12. RECOMMENDATION

By considering the necessity of the project and security by the state, the loan of Rs. 6000.00 Lakhs may be sanctioned[1] as per the terms and conditions stipulated below:

Terms and Conditions:

Agreement	The Borrower shall execute a Memorandum of Agreement (MOA) in the form prescribed by National Capital Region Planning Board hereafter referred to as 'the Board' for the purpose of availing loan and submit all other documents as required within 40 days of the date of letter of sanction of loan. However, in case the Borrower applies before the expiry of 40 days with valid reasons, the Board reserves the right to give a time extension.
Rate of Interest	9.50% p.a., incentives would be made as applicable and the performance incentives are _______. However the board has the right to revise the interest rate during disbursement or during the tenor of the loan. The Borrower shall pay interest on the said Loan at the rate of interest prevailing on the date of each disbursement. The interest in favour of the Board shall begin to accrue from the date of cheque issued by the Board. The instalment of interest will be payable annually and shall accrue from the date of disbursement by the Board and shall be payable on the anniversary date every year. The amount of interest payable will be calculated at the applicable rate up to the date immediately preceding the due date of payment. Computation of interest shall be made on a daily basis using a factor of 365 days.
Repayment	1. Tenor – 5 years 2. Principal moratorium – 2 years 3. Interest moratorium – Nil 4. Repayment period – 3 years 5. Frequency of Instalments – Annual All payments should be realized at par in New Delhi
Penalty and prepayment charges	1. In the event of the interest or the principal not being paid to the Board by the Borrower on the due date as indicated in the foregoing clauses, the Borrower shall pay to the Board a penal interest of 2.75% over and above the rate of interest at which the loan is disbursed. 2. Under normal circumstances the Board shall not accept prepayment. In

[1] This recommendation would be applicable only if plots are not sold and an amount of Rs. 82 Crores is not mobilized

	the event of a Borrower deciding to pre-pay the loan after withdrawal of one or more instalments, the Borrower will pay a pre-payment charge @ 1% of the principal loan amount outstanding. Prepayment shall not be accepted during the moratorium period of the Project. Notwithstanding anything stated above, it is stipulated that for cases with litigation or where the Project is completed before the schedule and the borrower is getting huge cash inflow etc., it will be at the discretion of the PSMG to accept prepayment more than 25% on the case to case basis. 3. The Borrower shall also pay on demand all costs, charges, expenses, losses and other money that may be incurred by the Board, in connection with remittance/ receipt of moneys to or to the order of or from the borrower, or in connection with protecting and/or enforcing the rights of the Board under the Memorandum of Agreement and/or Guarantee Deed and/or any other document for the loan in question. The decision of the Board with regard to the amount/loss incurred on these, shall be final and binding on the Borrower
Appropriation of amount paid by the borrower	1. The money paid by the Borrower shall be appropriated in the following order: (a) Costs, charges, expenses, losses, applicable taxes, statutory duties and other moneys, (b) Interest on costs, charges, expenses, losses, applicable taxes, statutory duties and other moneys, (c) Penal interest, (d) Interest/ interest tax, (e) Repayment of principal in the order of the occurrence of the dues; & (f) Prepayment of principal.
Security	Letter of comfort from state finance department confirming to service the proposed department liability has to be submitted
Pre-disbursement conditions	Necessary statutory approvals including Administrative sanction, technical sanction, clearances on account of Environment and R&R have to be obtained.
Release of funds	1. The Borrower shall furnish to the Board a Execution Schedule with Expenditure Details (ESED) in the prescribed form indicating complete details of the activities/tasks completed/to be completed along with task-wise cost and Date of Completion of each task for which the payments are required to be made or become due at the time of drawal of loan instalments. 2. The Borrower shall submit an Application for drawal of the loan duly supported by various Certificates and Documents as prescribed by the Board. 3. The loan shall be disbursed according to the disbursement procedure of the Board as modified/ amended from time to time. Normally, disbursement will be made on the basis of the Report of appointed TPI&M agency duly certifying progress of work in physical and financial terms including the quality and quantity of equipment/ materials ordered/ supplied as required for the completion of the Project / Scheme and payments for such equipments/ materials becoming due to the supplier(s) concerned and also in respect of the civil/ electric works

	completed / proposed to be completed in the next phase of implementation of the Project/ Scheme through any agency(ies) engaged for the said purpose. 4. The Board shall not be liable for any charge whatsoever for which the Borrower may become liable due to delayed payment by the Borrower in respect of equipments/ materials ordered/ supplied or in respect of civil/ electrical works executed by agencies (appointed by the Borrower). 5. The borrower shall draw the loan as per drawal schedule and the closing date of loan shall be by the end of _____ or such other date as may be agreed to by the Board.
Inspections	1. It would be open to the Board to depute its Officers/nominees for inspection of record relating to this loan and its purposes. The inspecting staff shall be provided full access to such books, records and stores of the Borrowers as will be deemed necessary by the inspecting Officers/ nominees. The Borrower shall extend all facilities to the inspecting officers/ nominees for the purpose of carrying out inspections and render such explanation or elucidation as may be required by the Officers of the Board and or its nominees as well as permit photocopies of/or extracts of documents. 2. The Board shall appoint a Third Party Inspection and Monitoring agency to carry out physical and financial monitoring of the Project. The cost incurred on such TPI&M work shall be an integral part of the total project cost and will be borne by the borrower. In case the project is being implemented with the finance /collaboration of a PSU or any other body supported by the Central Govt. which has a well-developed institutional system for TPI&M, the Board reserves the right to desist from engaging a separate TPI&M agency.
Reports	1. The Borrower shall also furnish to the Board such Reports on its working, either in general or with specific reference to this loan, in the manner prescribed by the Board from time to time. 2. The Board shall monitor the progress of the Project/ Scheme financed by it on a continuous basis. In this respect : a. The Borrower shall furnish periodic progress Reports in the formats, as prescribed by the Board, on the utilization of this loan and on the physical progress of the Project/Scheme on a monthly or quarterly basis (as required). b. The Borrower shall provide full cooperation and access to the officials of the Board for monitoring the Project through visits to Project related sites, stores as well as its Head Quarters. The Borrower shall also provide all documents, as may be deemed necessary, for assessing the physical as well as financial progress of the Project. 3. The Borrower shall furnish a Completion Report on the successful completion of the Project within three months of the date of completion of the Project/ Scheme as per the format prescribed by the Board. 4. In case the Board is not satisfied with the progress of the Project/ Scheme financed or the utilization of financial assistance provided, it may resort to remedial measures as stipulated in the default clause given hereunder

Default	1. In case the Board comes to the considered conclusion at any time during the implementation of the Project or the pendency of the loan that the amount already disbursed has not been properly and effectively utilized by the Borrower for the Project/ Scheme or the progress achieved in its implementation is inadequate or certain condition(s) of this loan have not been complied with, the Board shall have absolute discretion to suspend, reduce, cancel, alter or delay disbursement of said loan and/or instalments in any manner and may decline to disburse any or all the remaining instalments without assigning any reason thereof to the Borrower and without being liable for any losses or damages. 2. ***Recall of Loan:*** If the Borrower defaults in the payment of principal or interest or any other payment required under the loan agreement, the Board may issue a Notice to the Borrower and to the guarantor, for recall of the principal amount outstanding, the interest payable and other charges leviable thereon. The Borrower will be required to reply within 21 days of the date of issue of the said Notice. In case the Board does not find the reply tenable, the Board reserves the right to recall the entire principal amount, interest payable and other charges leviable thereon in one full and final payment. In the event of the Board deciding on Recall, the Borrower shall comply with the Recall by making the said full and final payment within 15 days of the order of Recall. In case the Borrower delays the full and final payment beyond 15 days from the order of recall, the delay will attract a penal interest @ 2.75% per annum over and above the normal rate till the date of full and final payment without prejudice to the right of the Board to initiate action with regard to recovery of the principal amount outstanding, the interest payable and other charges leviable thereon by invoking guarantees, charge on assets and other securities.
Utilization of loan & completion of project	1. The Borrower shall ensure that the equipment/ materials for which the loan has been obtained from the Board are utilized for the implementation of the stated Project. 2. The Borrower shall take all necessary steps to ensure that the project is completed as envisaged in the manner and according to the time schedule envisaged, i.e. by the end of ______. 3. The borrower shall furnish a Completion Report on the successful completion of the project within two months of the completion of the Project/ Schemes as per the format prescribed by the Board.
Other Conditions	1. The said loan shall also be subject to such further terms and conditions as may be laid down in the form of an agreement to be executed by the Borrower with the Board. 2. The Borrower shall during the currency of the loan and the implementation of the Project bear all such imposts, duties and taxes or any other charges as may be levied in relation to the Project / Scheme from time to time by the Government or any other competent authority. 3. The borrower has to assess the exact Environmental and social impacts and the same has to be mitigated. If the provisions made in the project cost is not sufficient, the borrower has to arrange necessary funds before release of final tranche to implement the mitigation measures