

RFC/PG/1005
RFC/LA-365

**RAJASTHAN FINANCIAL CORPORATION
(LOANS SECTION)**

**HEAD OFFICE,
TILAK MARG,
JAIPUR.**

Ref. No. RFC/LA-13(4)/242

Dated : 21.05.2003

: PG CIRCULAR :

Sub: Raising of Unsecured Loans as source of finance

Attention is invited to PG Circular No. 295 dated 15.3.89 vide which guidelines for raising unsecured loans were issued. Accordingly the corporation has been following the guidelines for allowing to raise unsecured loans in means of finance upto 25% of the capital. But now days due to increase in promoters contribution which is not less than 33% in any case , the promoters are facing problems of raising higher capital amount . The problem is more peculiar in cases of commercial /residential complexes. In such projects, the capital requirement is for the short duration and after sale of building it is got liquidated and the capital is blocked in the company. Therefore, builders are not interested to raise PC through share capital which involves higher cost in the form of ROC fees, Stamp duty etc payable for increasing the authorized capital in company cases. In view of above the promoters of such projects have been requesting to allow them to bring in more funds by way of interest free unsecured loans instead of raising funds in the form of entire capital.

The Board of Directors in its meeting held on 28.4.03 has approved the following norms for capital contribution in the projects under different schemes as under :

“ In case of commercial/residential complexes the component of Unsecured loans (Interest Free) shall not exceed 65% of total Promoter contribution and in case of other projects the unsecured

Loans (interest free) shall not exceed 35% of total promoter contribution.”

Accordingly, para no. 2.40 of chapter LA-4 at page 54 & 55 of the PG would stand amended as given overleaf.

All concerned are advised to take a note of above.

(J.P.Vimal)
EXECUTIVE DIRECTOR

COPY TO :

- 1- All ROs/BOs/SOs.
- 2- DGM (A&I), Eastern & Western Zone.
- 3- General Manager (Western Zone), Jodhpur.
- 4- Standard Circulation at Head Office.

Amendment in PG Clause 2.40 of Chapter LA-4 (Page No. 54-55)

Unsecured Loans

2.40 After exhausting all the above sources, sometimes there remains an un-filled gap without which the project cost cannot be financed. This gap is generally met by raising unsecured loans. While deciding this source, it should be seen that:-

- a) In case of residential /Commercial complexes, the component of unsecured loans (Interest Free) shall not exceed 65% of total promoters contribution and in case of other projects, the unsecured loans (Interest free) shall not exceed 35% of the total promoters contribution.
- b) These loans should not be allowed to be repaid during the currency of loan of the Corporation without prior consent of the Corporation.
- c) The rate of interest on interest bearing unsecured loans should not exceed the rate of interest on term loan.
- d) The parties are in a position to manage these loans.

An undertaking from those persons who are prepared to extend unsecured loans should be taken at the time of execution of loan documents as an evidence of availability of such loans.