

RAJASTHAN FINANCIAL CORPORATION
(LOANS SECTION)

Ref. No.RFC/LA-12(48)1454

Dated : 13.02.2004

CIRCULAR
(LA No.384)

**Reg : Working Capital Assistance to show rooms/
shops/ departmental stores.**

The Board of Directors in its Meeting held on 03.02.2004 adopted the scheme to provide Working Capital Assistance to show rooms/ shops/ Departmental Stores.

Different type of showrooms /shops/ departmental stores dealing with various type of products are running in the major cities of the State and are having good market scope. Thus there is every likelihood of getting good business for meeting out the working capital requirements of showrooms /shops/ departmental stores. Under the Scheme the Corporation initially proposes to provide working capital assistance **within the municipal limits of Regional Headquarters of the Corporation.**

The Scheme for providing Working Capital Assistance to show rooms /shops/ Departmental Stores is enclosed herewith.

All concerned are advised to take note of above and maximise business under the Scheme.

Sd/-
(Sanjay Dixit)
Chairman & Managing Director

ANNEXURE A

**Working Capital Assistance to show rooms/
shops/ departmental stores**

1- INTRODUCTION :

Financing of working capital term loan to show rooms /shops/ departmental stores which are engaged in trading activities may be considered. The eligibility criteria and other salient features of the Scheme are as under.

2- Eligibility Criteria :

The Working Capital Term Loan by the Corporation to the existing / new show rooms /shops/ departmental stores which are engaged in trading activities may be considered subject to the limitation that they should be located within Municipal limits of Regional head quarters of the Corporation.

3- Security :

- A) In case of showrooms /shops/ departmental stores engaged in any type of trading activities having own premises in the name of promoters, the WCTL may be considered in such cases provided the promoter mortgage the prime security on which showrooms /shops are running and their value should not be less than one & half times of the term loan amount.
- B) In case showrooms /shops/ departmental stores are set up in rented premises in such cases WCTL may be considered provided the promoter offer the collateral security equal to two times of term loan amount.
- C) Personal guarantee of proprietor /partners/ directors etc. for securing repayment of loan alongwith interest etc.
- D) First charge by way of hypothecation of all current assets.

NOTE : The Corporation shall have exclusive charge over the fixed assets as well as current assets including debtors. In no case the charge will be shared with other banks /FIs.

4- Promoter's Contribution :

The minimum PC should be 40%.

5- Amount of Assistance :

Loan from Rs. 2.00 lacs to Rs. 100 lacs can be considered under this Scheme.

6- Computation of WCTL :

The WCTL shall be calculated @ 25% of the projected turn over and the term loan shall be 60% of the same.

The projected turn over shall be calculated as under :-

A) Existing Units : The projected level of turn over can be assumed considering trend of turn over in the preceding three years. However, in no case projected turn over can be assumed 25% higher over the actual turn over of last year.

B) New Units : The projected turnover may be calculated after having due justification and considering the existing level of turn over in similar show rooms /shops/ departmental stores of similar size.

7- Moratorium Period :

The moratorium period shall not exceed six months from the date of first disbursement.

8- Repayment Period :

The loan shall be repayable in four years, including the moratorium period not exceeding six months.

9- Rate of Interest :

The Corporation shall charge prevailing rate of interest as applicable to SSI Sector at the time of first disbursement.

10- Rebate :

Rebate for timely payment @ 1.00% shall be provided to the borrowers.

11- Service Charges :

The borrower shall pay Service Charges yearly @ 1.00% p.a. payable quarterly on the outstanding amount for working capital term loan. The first payment shall fall due simultaneously with the interest installment.

12- LIQUIDATED DAMAGES :

The liquidated damages shall be levied on the amount in default for the period of default as per the slab under General Term Loan Scheme.

13- MODE OF PAYMENT :

The borrower shall furnish 15 PDCs for payment of principal installments to be fall due quarterly for the repayment period. Payment of interest alongwith service charges shall be paid separately on quarterly due dates.

The first installment of interest shall fall due on the first day of quarter i.e. January, April, July & October.

14- APPLICATION FEE :

A) Application form fee @ Rs. 200/- shall be charged.

B) Application fee @ 0.1% of the loan amount shall be payable.

15- PROCESSING CHARGES :

Processing charges @ 1.00% shall have to be deposited before convey of the sanction letter.

16- SANCTIONING AUTHORITY :

As per existing delegation of powers.

17- DISBURSEMENT :

The disbursement shall be made in two equal installments as under :-

A) The first installment equal to 50% of the term loan sanctioned shall be released after obtaining the following documents :-

- Certificate from practising chartered Accountant for raising promoter's contribution in the format.

- Statement of net current assets duly signed by the promoter (s).

- Insurance of fixed assets (excluding land) equal to amount of acceptable value of fixed assets as well as stock (in case of fire prone products).

- 15 PDCs for repayment of principle installments.
 - No Overdue Certificate in case of any existing account of the promoter with Corporation, if any.
- B) The second installment shall be released after obtaining following documents :-
- A team consisting two officers (one from Technical side and another from Finance side) shall visit the site of the borrower for their visual satisfaction that the stock shown in the net current statement is in order and to have a broad idea about stock.
 - Latest statement of net current assets duly signed by the promoter (s).
 - CA Certificate for utilization of earlier disbursed amount.
 - No Overdue Certificate in case of any existing account of the promoter with Corporation, if any.
 - Form No. 8 & 13 for creation of charge in favour of RFC over the fixed assets and /or current assets of the Unit (required in case of company).

18- OTHER TERMS & CONDITIONS :

- A) The unit shall submit stock statement on quarterly basis to the Corporation till the entire working capital loan component alongwith interest and other charges is repaid.
- B) The unit shall submit power of attorney authorising the Corporation to obtain bank statement from the designated bank to see and to verify the operation in the current account being maintained and also to obtain dues payment from the bank in case working capital is sanctioned by the Bank.
- C) The unit shall submit an affidavit that it will obtain NOC from the Corporation before availing any financial assistance from any Bank /FIs.
- D) The borrower shall furnish an undertaking that the Corporation may create lien on current account being

maintained by the concern with its Bankers as and when desired.

- E) That all the business transaction shall be routed through the designated Bank.
- F) That the Corporation shall have a right of physical verification of the stock and call for any information including books of accounts as may be required from time to time.
- G) That no investment out of working capital term loan may be made in any subsidiary / associate concern.
- H) That the stock shall be kept insured continuously by the borrower at his / her own cost till the currency of loan.