

RFC/P&G/1420

RAJASTHAN FINANCIAL CORPORATION
(CREDIT POLICY & MONITORING DIVISION)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302 005.

Dated : 19.06.2012

Ref. No.RFC/CP&M-4/25

P&G CIRCULAR
(LA No.594)

Reg. : Credit Rating Tools & Pricing of Interest Rate.

The Corporation has proposed to introduce Credit Risk Assessment Models (Credit Rating Tools) and Pricing of Interest Rate on the basis of rating in all the loan cases as decided by the Board in its meeting held on 07.06.2012. Accordingly, two Credit Rating Tools (separately for industrial sector and service sector including CRE) have been adopted for the first time in the Corporation. The procedure to be followed and criteria of rating are enclosed herewith as Annexure "A".

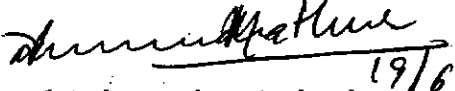
It has been decided that initially the proposed rating system and pricing of interest rate shall be tested at HO and field level in each loan case to get acquainted with the system upto 30.09.2012. If field offices have any difficulty in understanding the system, they shall discuss the matter with the officers posted under their respective DGM(Operation).

The proposed credit rating system shall be made applicable w.e.f. 01.10.2012, Pricing of interest shall also be made as per rating w.e.f. 01.10.2012. Till such time the rate of interest shall be applicable as per prevailing interest rate.

The appraisal teams and recommending authority shall sign the rating and final interest rate arrived at (based on rating) invariably and attach the sheet with the loan proposal.

The Benchmark rate shall be advised separately by the DGM(FMD).

All concerned are advised to take a note of above and ensure compliance with immediate effect.


19/6

(Yaduvendra Mathur)
Chairman & Managing Director

Encl : As above.

Copy to :

1. All BOs/SOs/A&I.
2. Standard Circulation at Head Office.
3. Dy. General Manager (Operations).

**RAJASTHAN FINANCIAL CORPORATION
(CP&M Division)**

CREDIT RATING AND PRICING OF INTEREST RATE

1. **APPLICABILITY:** - Applicable for all loan proposals irrespective of loan amount and loan schemes.
2. **PROCESS:** - Rating shall be made/worked out during the course of appraisal after obtaining all required documents and same shall be attached with the loan proposal.
3. **PREREQUISITES FOR UNIFORM AND FAIR CREDIT RATING:-**

S.No.	Particulars	Procedure to be followed
1.	The valuation of properties shown in net worth statement submitted by the promoters	The valuation shall be made on DLC rate / Registered value and RIICO rate in case of RIICO land.
2.	Investment in shares, Fixed Deposits, LICs etc., Capital investment in partnership and proprietorship concern shown in net worth	Book value shown in the audited / certified books of accounts/capital account of immediate preceding financial year shall be taken into consideration.
3.	Advance given/taken shown in net worth	As shown in the books/capital account shall be taken into consideration.
4.	The value of gold, silver, ornaments etc. and cash balance above Rs.50,000/-	Not to be taken into consideration as no evidence is available.
5.	Amount of income tax paid	Actual amount of income tax which is payable excluding the interest and excess tax deposited.
6.	Amount of loan taken from financial institution	The closing balance outstanding as on last day of immediate preceding year.
7.	Qualification & experience of the promoters	The documentary proof in support of qualification & working experience is required to be submitted by the promoters.
8.	Marketing arrangement	The documentary evidence is

		required in support of marketing arrangement and buy back of product.
9.	Sectorial default position	The industry wise exposure and default position at the end of immediate preceding financial year shall be taken into consideration. The same shall be provided by RRM Division on annual basis in the month of April.
10.	Consideration of existing outstanding	The existing outstanding shall be taken into account for the marks for the criteria No.1.4 &1.5.

Note: - 1. Two credit rating modules separately for Industrial Sector and Service Sector (including CRE) have been prepared.

2. Marks to be assigned to each criteria as per information and documents available. The percentage of marks obtained is to be calculated from total marks 100.

3. There is no place for using any discretion while allotting the marks.

RAJASTHAN FINANCIAL CORPORATION
CRITERIA FOR CREDIT RATING SYSTEM OF PROMOTER AND PROJECT (SME PROJECTS)

S.No.	PARAMETERS	Assignable Marks	Maximum Marks	Marks Allotted
1	Availability of Security (Land & Building only)		15	
	(a) Total value of primary & collateral security is more than 150% of total loan amount (existing and proposed)	15		
	(b) Total value of primary & collateral security is more than 100% and upto 150% of total loan amount (existing and proposed)	12		
	(c) Total value of primary & collateral security is more than 75% and upto 100% of total loan amount (existing and proposed)	8		
	(d) Total value of primary & collateral security is more than 50% and upto 75% of total loan amount (existing and proposed)	4		
	(e) Total value of primary & collateral security is less than 50% of total loan amount (existing and proposed)	0		
2	Expertise:		6	
	(a) Qualified (Professional) & Experienced	6		
	(b) Qualified (Graduate) & Experienced	5		
	(c) Qualified (Professional) & Inexperienced	4		
	(d) Qualified (Graduate) & Inexperienced	3		
	(e) Qualified (Below graduate) & Experienced	3		
	(f) Unqualified but Experienced	2		
	(g) Unqualified & Inexperienced	0		
3	Experience		6	
	(a) Experience in the similar line for more than 3 years with satisfactory record	6		
	(b) Experience in similar line for less than 3 years	4		
	(c) Experience in other line for atleast two years	2		
	(d) No experience	0		
4	Total network of all the promoters		10	
	(a) More than 150% of the total exposure including existing loan, if any	10		
	(b) From 100% to 150% of the total exposure including existing loan, if any	7		
	(c) From 50% to 100% of the total exposure including existing loan, if any	4		
	(d) From 25% to 50% of the total exposure including existing loan, if any	1		
	(e) Less than 25% of the total exposure including existing loan, if any	0		

5	Quantum of Income Tax Paid by the Promoters		5	
	(a) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 1% of the total exposure including existing loan, if any	5		
	(b) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 0.75% and upto 1% of the total exposure including existing loan, if any	3		
	(c) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 0.50% and upto 0.75% of the total exposure including existing loan, if any	2		
	(d) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is less than 0.50% of the total exposure including existing loan, if any	0		
6	Past dealings of the applicant concern/ Associated Concern financed by the corporation		10	
	(a) Platinum/Gold Card holder of the Corporation	10		
	(b) Continuously Standard Account exceeding three financial years	8		
	(c) Continuously Standard Account more than two financial years and upto three financial years	6		
	(d) Continuously Standard Account more than one financial years and upto two financial years	4		
	(e) Existing borrower of the Corporation and having association upto one financial year	2		
	(f) Others	0		
7	Past dealings of the applicant concern/ Associated Concern with other FIs (Term Loan & Credit Facility only)		6	
	(a) Good track record with association for more than three financial years	6		
	(b) Good track record with association for more than two financial year and upto 3 financial years	4		
	(c) Good track record with association more for than one financial year and upto 2 financial years	2		
	(d) Others	0		
8	Location of the unit and site suitability		8	
	(a) Unit located in the area having infrastructure facilities and market potential	8		
	(b) Located in upcoming area	4		
	(c) Places without infrastructure facilities/potential market/ slow moving area/isolated area	0		
9	Technology and Supplier		5	
	(a) Proven technology & equipments being supplied by reputed / known supplier	5		
	(b) Proven technology but new supplier	3		
	(c) New technology & equipments being supplied by reputed / known supplier	2		
	(d) New technology and new supplier	0		

	10	Marketing & Scope for the product		8	
		(a) Unit is existing one and having 100% buy back arrangement for its product	8		
		(b) Already in Line & having sufficient demand/Bookings in hand	5		
		(c) Experienced in Line but Bookings to be done /market to be developed	2		
		(d) Not having experience of the line & no concrete marketing strategy	0		
	11	Deterioration / obsolescence of plant & machinery of the proposed project		4	
		(a) Slow deterioration	4		
		(b) Moderate deterioration	2		
		(c) High deterioration	0		
	12	Sectorial default position		8	
		(a) No default	8		
		(b) Above 75% of similar assisted unit regular in repayment	6		
		(c) From 50% but upto 75% of similar assisted unit regular in repayment	4		
		(d) From 25% but upto 50% of similar assisted unit regular in repayment	2		
		(e) Below 25% of similar assisted unit regular in repayment	0		
	13	Sales variations in existing concern /sister concern(s)		5	
		(a) Increasing trend for the preceeding 3 years	5		
		(b) Stagnant for preceding three years	2		
		(c) Declining trend for preceding 3 years	0		
	14	Working Capital arrangements		4	
		(a) The concern already enjoying working capital facilities with bankers/RFC and proposes to enhance for which sufficient collateral security is available	4		
		(b) The concern proposes to avail working capital facilities from bankers/RFC for which sufficient collateral security is available or unit proposing to undertake job work.	2		
		(c) The concern proposes to avail working capital facilities from bankers/RFC but has not submitted any proof in support of collateral security.	0		
		TOTAL		100	
	15	NEGATIVE MARKING			
		Whether any benefit by way of waiver of penal interest/interest and reschedulement, OTS benefit availed from RFC/Banks	10	10	
		Net Total			

		CREDIT RATING ON THE BASIS OF MARKS OBTAINED			
			Rating	ROI	
		Above 85%	AAA	BR-0.50	
		75% To 84%	AA	BR-0.25	
		65% To 74%	A	Benchmark Rate	
		55% TO 64%	BBB	BR+0.50	
		45% TO 54%	BB	BR+1.00	
		Less than 45%	No financing		
		ROI = Rate Of Interest			
		BR= Benchmark Rate			
		Rate of Interest - Scheme-wise			
		1 All Good Borrower Scheme(except Flexi Loan Scheme)	As per Rating		
		2 General Loan Scheme (Industrial manufacturing units)	As per Rating		
		3 Saral Scheme (Industrial manufacturing units)	As per Rating+1.00		
		4 FAAS (Industrial manufacturing units)	As per Rating+2.50		
		5 Top-up & Flexi Loan Scheme for existing borrower	No Rating - ROI as charged in existing loan or Benchmark rate whichever is higher		

RAJASTHAN FINANCIAL CORPORATION
CRITERIA FOR CREDIT RATING SYSTEM OF PROMOTER AND PROJECT (SERVICE SECTOR)

S.No.	PARAMETERS	Assignable Marks	Maximum Marks	Marks obtained
1	Availability of Security (Land & Building only)		15	
	(a) Total value of primary & collateral security is more than 150% of total loan amount (existing and proposed)	15		
	(b) Total value of primary & collateral security is more than 100% and upto 150% of total loan amount (existing and proposed)	12		
	(c) Total value of primary & collateral security is more than 75% and upto 100% of total loan amount (existing and proposed)	8		
	(d) Total value of primary & collateral security is more than 50% and upto 75% of total loan amount (existing and proposed)	4		
	(e) Total value of primary & collateral security is less than 50% of total loan amount (existing and proposed)	0		
2	Expertise:		6	
	(a) Qualified (Professional) & Experienced	6		
	(b) Qualified (Graduate) & Experienced	5		
	(c) Qualified (Professional) & Inexperienced	4		
	(d) Qualified (Graduate) & Inexperienced	3		
	(e) Qualified (Below graduate) & Experienced	3		
	(f) Unqualified but Experienced	2		
	(g) Unqualified & Inexperienced	0		
3	Experience		8	
	(a) Experience in the similar line for more than 5 years and completed minimum 5 similar projects	8		
	(b) Experience in similar line for more than 3 years and upto 5 years and completed minimum 3 similar projects	5		
	(c) Experience in similar line for upto 3 years and completed minimum 1 similar project	2		
	(d) No similar experience	0		
4	Total network of all the promoters		10	
	(a) More than 150% of the total exposure including existing loan, if any	10		
	(b) From 100% to 150% of the total exposure including existing loan, if any	7		
	(c) From 50% to 100% of the total exposure including existing loan, if any	4		
	(d) From 25% to 50% of the total exposure including existing loan, if any	1		
	(e) Less than 25% of the total exposure including existing loan, if any	0		

	5	Quantum of Income Tax Paid by the Promoters		5	
		(a) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 1% of the total exposure including existing loan, if any	5		
		(b) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 0.75% and upto 1% of the total exposure including existing loan, if any	3		
		(c) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is above 0.50% and upto 0.75% of the total exposure including existing loan, if any	2		
		(d) Aggregate of amount of Income Tax paid by all the promoters during preceeding AY is less than 0.50% of the total exposure including existing loan, if any	0		
	6	Past dealings of the applicant concern/ Associated Concern financed by the corporation		10	
		(a) Platinum/Gold Card holder of the Corporation	10		
		(b) Continuously Standard Account exceeding three financial years	8		
		(c) Continuously Standard Account more than two financial years and upto three financial years	6		
		(d) Continuously Standard Account more than one financial years and upto two financial years	4		
		(e) Existing borrower of the Corporation and having association upto one financial year	2		
		(f) Others	0		
	7	Past dealings of the applicant concern/ Associated Concern with other FIs (Term Loan & Credit Facility only)		6	
		(a) Good track record with association for more than three financial years	6		
		(b) Good track record with association for more than two financial year and upto 3 financial years	4		
		(c) Good track record with association more for than one financial year and upto 2 financial years	2		
		(d) Others	0		
	8	Location of the unit, site suitability and marketability		25	
		(a) Unit located at prime location / saturated area (heart of city) having infrastructure facilities and market potential (fully developed area)	25		
		(b) Unit located at prime location having infrastructure facilities and market potential (fully developed area)	18		
		(c) Located in upcoming area and having less marketability(developing area)	10		
		(d) Places without infrastructure facilities/potential market/ slow moving area/isolated area (undeveloped area)	0		

9	Sectorial default position		10	
	(a) No default		10	
	(b) Above 75% of similar assisted unit regular in repayment		8	
	(c) From 50% but upto 75% of similar assisted unit regular in repayment		6	
	(d) From 25% but upto 50% of similar assisted unit regular in repayment		3	
	(e) Below 25% of similar assisted unit regular in repayment		0	
10	Sales variations in existing concern /sister concern(s)		5	
	(a) Increasing trend for the preceeding 3 years		5	
	(b) Stagnant for preceding three years		2	
	(c) Declining trend for preceding 3 years		0	
	TOTAL		100	
11	NEGATIVE MARKING			
	Whether any benefit by way of waiver of penal interest/interest and reschedulement, OTS benefit availed from RFC/Banks	10	10	
	Net Total			
	<u>CREDIT RATING ON THE BASIS OF MARKS OBTAINED</u>			
		Rating	ROI	
	Above 85%	AAA	BR-0.50	
	75% To 84%	AA	BR-0.25	
	65% To 74%	A	Benchmark Rate	
	55% TO 64%	BBB	BR+0.50	
	45% TO 54%	BB	BR+1.00	
	Less than 45%	No financing		
	ROI = Rate Of Interest			
	BR= Benchmark Rate			
	Rate of Interest - Scheme-wise			
	1 Service Sector projects (Service Sector other than CRE)	As per Rating+0.50		
	2 Saral Scheme (Service Sector other than CRE)	As per Rating+1.50		
	3 FAAS (Service Sector other than CRE)	As per Rating+3.00		
	4 CRE Projects (including FAAS)	As per Rating+3.50		
	5 Top-up & Flexi Loan Scheme for existing borrower ((Service Sector other than CRE)	No Rating - ROI as charged in existing loan or Benchmark rate plus 0.50 whichever is higher		