

RFC/P&G/1422

RAJASTHAN FINANCIAL CORPORATION
(CREDIT POLICY & MONITORING DIVISION)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302 005.

Ref. No.RFC/LA-12(76)/36

Dated : 05.07.2012

P&G CIRCULAR
(LA No. 595)

Reg. : **Loan Policy for CRE Sector for the F.Y. 2012-13.**

Attention is invited to PG Circular No.1403 dated 23.11.2011 vide which the prevailing loan schemes (including scheme for CRE Sector) were circulated.

The policy with regard to CRE Sector was reviewed and placed before the Board in its meeting held on 28.06.2012 and the duly approved consolidated scheme is enclosed herewith as Annexure "A".

While granting such loans, it is to be ensured that the project is coming up at a prime location; the promoters are experienced in the line and have sound marketing arrangements. Besides this, it is also to be ensured by all that the exposure to CRE sector should be restricted to 20% of the total portfolio by the end of current financial year. The concerned DGM (Operation) shall monitor the exposure on regular basis.

The policy is for the current financial year only and shall be reviewed annually.

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


(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).

CONSOLIDATED SCHEME FOR CRE SECTOR

1. INTRODUCTION :

This scheme aims to provide financial assistance for the following :

- a) For construction of commercial complexes, showrooms, sales outlets independent of hotel business.
- b) For construction of housing complex and residential houses / flats on commercial basis.
- c) Exclusively for purchase of land & Building from Government Authorities for carrying out: construction of commercial / residential complexes / multiplexes, hotels (Tourism related activities) Hospitals, Nursing Homes etc. which are covered u/s 2 (C) of SFCs Act.

2. PURPOSE OF LOAN

The assistance may be granted to eligible borrowers for:

- i) For construction of commercial / residential complex :-
 - a) Acquisition of land
 - b) For construction of building for housing complexes/apartments (commercial cum residential complex), commercial complex
 - c) For acquisition of required plant and machinery/equipment, like lifts, air conditioning plant and fire fighting equipments, other safety devices and also other plants and equipments required for modern type of housing complexes, commercial complexes
 - d) Furnishing of houses/flats and Furniture and Fixture for commercial complex
- ii) Exclusively for purchase of land and building as per Eligibility Criteria mentioned at 3 (A) (ii).

3. ELIGIBILITY :

A) ACTIVITIES / CRITERIA :

- i) For construction of commercial/ residential complex :
Construction of houses, flats, apartments and housing complexes Commercial complexes, showroom(s) & sales outlets providing infrastructure facilities like Electricity, Water, Sanitation, Telephones, Internet, E-Commerce, Lift, Air-conditioners and Cooling, Parking, Storage etc.

The financial assistance for residential complex would be provided for construction activities for the sale on commercial basis.

For purchase of commercial space for running permissible activities is also allowed under commercial complex, show rooms and sales outlets scheme.

- ii) Exclusively for purchase of land and building as per following Eligibility Criteria :

The following marketable and mortgageable fixed assets (land & building) which is free from all encumbrances are eligible for availing financial assistance under the Scheme:-

Assistance against the land cost allotted/ auctioned by JDA, UIT, Municipalities, RIICO, RSHB or any Govt. Authorities or Banks, located at prime location if land is situated in Development Authority limits of the cities at Jaipur, Bikaner, Jodhpur, Kota, Ajmer, Alwar and Udaipur for construction of commercial/ residential complexes on commercial basis, multiplexes, hotels (Tourism related activities) Hospitals, Nursing Homes.

B) ELIGIBLE BORROWER :

The borrowers may be a concern having constitution as proprietor, a partnership firm, a company, a registered public trust or a Registered Co-operative society constituted to run the venture on commercial lines as builders.

C) DEALINGS WITH THE FINANCIAL INSTITUTION / BANKS :

Prima facie there should not be any adverse reporting against the borrower and its sister concerns by any financial institution/ bank in the past and their dealings with the financial institution/ bank is satisfactory, if any financial assistance is availed.

4. LOAN LIMIT / AMOUNT OF LOAN :

- i) For construction of commercial / residential complex :-

i)	Proprietary and partnership units / Trusts	Upto Rs. 8.00 crore
ii)	Companies & Co-operative Societies having net worth not exceeding to Rs. 30.00 crore	Upto Rs. 20.00 crore

- ii) Exclusively for purchase of land and building as per Eligibility Criteria mentioned at 3 (A) (ii).

a)	For exclusively purchase of land & building the loan from Rs. 50.00 lacs and upto Rs. 1000.00 lacs in case of companies, Corporation and Regd. Co-operative Society and upto Rs. 800.00 lacs in other cases. However, loan below Rs. 50.00 lacs but not less than Rs. 5.00 lacs can be accepted on individual merit of the case. Thereafter the same shall be forwarded to HO after completing the required parameters for further processing the case.
b)	If the borrower approaches for further financial assistance for construction of building, acquisition of Plant and Machinery, MFA and furniture and fixture, the same shall be considered by the Corporation as per norms prevailing under the respective scheme.

iii) Loan upto 60% of the acceptable cost of land shall be considered.

5. SANCTIONING AUTHORITY :

As per the prevailing delegation of powers of sanction.

6. SECURITY :-

- a) The loan will be secured by an equitable mortgage of land/ buildings and/or hypothecation of P&M, MFA, F&F etc. to cover by way of first charge on all existing and future assets of the concern / company.
- b) Personal guarantee of proprietor/ partners/ directors/ Trustee/ Office Bearer for securing repayment of loan and interest thereon.

7. ADDITIONAL SECURITY / COLLATERAL SECURITY :

- a) Quantum of collateral security shall be decided on case to case basis on merit.
- b) The Corporation may consider finance further for construction of commercial / residential complex at Jagatpura area on merits of the case after obtaining need based collateral security.

8. FINANCIAL PARAMETERS :

a) Margin of Security (Minimum) :

For construction of residential / commercial complex.

i)	On Land, Building, P&M and Equipments	30%
ii)	On furniture and fixture	50%

b) Promoter's Contribution : Minimum 40% of the project cost.

c) Debt Equity Ratio : Not more than 2 : 1

9. INTEREST RATE :

The rate of interest shall be as applicable from time to time payable in quarterly installments. Rate of interest shall be reset as per prevailing norms.

The rate of interest prevalent under Builder's Scheme for purchase of land shall be applicable, if the concern / company avails loan against land and less than 50% of loan for construction of building.

If the loanee approaches the Corporation for further term loan under project loan scheme for completion of the project after availing loan for land under Builders Scheme, the revision in the rate of interest and repayment period as applicable to the respective project loan scheme may be made subject to fulfilling the following conditions :

- a) If the unit approaches the Corporation for loan under Project Loan Scheme, within a period of six month from the date of sanction of loan under Builders Scheme;
- b) Amount of further loan sanctioned under Project Loan Scheme shall not be less than 33% of loan amount sanctioned under Builders Scheme, in case the property has been purchased from a Government body.

In such cases, the revised rate of interest under the respective project loan scheme shall be charged on the existing outstanding in the land loan account from the date of execution of loan documents for further term loan subject to the condition that in case any default is made in the existing land purchase account, the Corporation shall revert interest rate to original rate of interest charged in the loan account of land purchase, in addition to liquidated damages payable from time to time on the amount of default for the default period as per norms.

Modification deed for charging revised rate of interest in the existing land purchase loan account shall also be executed alongwith execution of loan documents for further term loan.

10. LIQUIDATED DAMAGE :

Liquidated damages on default amount shall be as applicable from time to time as per policy of the Corporation.

11. REPAYMENT PERIOD :

- i) For construction of housing complex, residential houses / flats, commercial complexes, showrooms and sales outlets :
The amount shall be repayable in a period not exceeding 5 year including moratorium period upto 12 months from the date of completion as envisaged in the project depending upon DSCR.
- ii) Exclusively for purchase of land & Building :
The repayment period shall be 3 ½ years including the moratorium period not exceeding 6 months.

12. OTHER NORMS / CONDITIONS :-

A) SPECIAL :

- a) Coverage :
For exclusive purchase of land & building : Immovable property (land & Building only) mentioned at 3 A (ii) of Eligibility Criteria.
- b) Admissibility of loan :
For exclusive purchase of land & building : In case of direct allotment/ auction by the Govt. authority as mentioned in eligibility criteria of the Scheme, the term loan shall be considered @ 60% of the acceptable cost of land.

c) Disbursement :

i) Mode of disbursement for exclusive purchase of land and building :

a) As the funds are required for the purchase of assets from Govt. Authorities or Private Parties, therefore, the eligible loan amount shall be disbursed directly to the seller after receipt of registered sale deed / lease deed by the Corporation and equitable mortgage is created in favour of the Corporation.

The Corporation may issue an assurance letter in favour of the seller with regard to release of eligible loan amount subject to compliance of condition of the sanction and creation of equitable mortgage in favour of the Corporation.

b) The disbursement can be made within 6 months from the date of sanction. However, disbursement beyond 6 months can be considered by the competent authority after charging upfront fee @ 0.1% of amount to be disbursed.

ii) In commercial/ residential complex schemes, if disbursement is not availed upto the implementation schedule as envisaged in the appraisal note, commitment interest shall be charged by the Corporation @ 1% on the balance unavailed loan amount.

d) OTHERS :

i) The location should have been earmarked for residential or commercial cum residential located in cities including district Head Quarters having adequate scope.

ii) Financial assistance shall be made available on construction activities under this scheme for the construction of residential flats / houses / complex and the said construction is made for sale on commercial basis.

B) GENERAL :

1. For construction of commercial / residential complex :-

a) The residential complex, commercial complex, show-room/sales outlets must be established at prime location/main market centre.

b) Financial assistance shall only be made on submission of approved map from the local authorities.

- c) In both the commercial complexes and Residential complex schemes NOC for sale of any area/flats in the complex shall be issued after deposition of 50% of sale proceeds (as per approved project report) and NOC for the sale of last 10% of saleable area will be issued after clearance of entire loan.
- d) In case the borrower intends to carry any commercial activity in the retained area of commercial complex like setting up of Cyber cafe, STD/ISD/PCO, Restaurants etc. which are eligible for financing as per norms of the Corporation, the same may also be considered for financing in the respective scheme.
- e) In case of leasing out of any part of the commercial complex, the same will be leased out with the condition that the lessee/tenant will directly deposit the rent/lease money with the Rajasthan Financial Corporation as and when the rent/lease money is demanded by Rajasthan Financial Corporation.

2. Powers regarding legal action :-

The cases sanctioned under the scheme must be monitored closely. Branch Manager shall have full powers for taking legal action in case of two consecutive default under the SFC's Act or under other law in respect of the cases financed under the Scheme so as to effect recovery without delay together with action under section 138 (b) of the Negotiable Instruments Act for dishonour of the cheque.

3. Undertakings :

- a It will comply all legal requirements i.e. obtaining NOC from RPCB, NOC from Local Authority and other Department, if required.
- b That the borrower shall get the approved site plan/ approved plan for construction of commercial complex/ residential complexes/ flats/ multiplexes, hotels (tourism related activities) construction of building shall be made as per the approved building plan/ site plan and FAR allowed by competent authority. In case, there is any deviation, the same shall be got approved from the competent authority.
- c That no part of the land / complex will be leased out / rented out without prior permission of the Corporation.

- e That no litigation in any court/ tribunal/ forum related to the property proposed to be mortgaged is pending and there is no dispute about the properties and the property is free from all encumbrances.
- f That the company / concern shall not sale any part / area of the complex without obtaining the NOC from the Corporation during the currency of the Corporation loan and in case of sale the concern shall deposit with the Corporation 50% of the sale proceeds (as per project report submitted) of any part of the complex till the clearance of total term loan of the Corporation. However, the NOC for last 10% of area / value of complex shall be released only after receiving the entire outstanding loan amount.
- g That the company / concern shall not give the possession of any area in the complex to the purchaser unless and until the sale proceeds as per condition no. 3 (f) above is deposited with the Corporation and NOC is obtained.
- h That the company / concern shall fulfill all the terms and conditions stipulated by local authority approving building plan.
- i That the company shall install a suitable Rain Water Harvesting System for water conservation for increasing the level of ground water.
- j That the company / concern shall engage qualified and experienced personnel in the supervision of construction work and adequate safety measures shall be adopted for hazard resistance and protection. Life saving equipments and devices shall be kept ready for emergency use.
- k That the borrower hereby agrees to pay a penalty of Rs. 500/- on its every dishonored cheque given by the borrower to the Corporation and the borrower further agrees and gives its consent that in case of non-payment of above penalty by the borrower the Corporation has every right to recover and debit the above amount in his loan account under the head of "other charges" of the Corporation without prejudice to all other legal rights of the Corporation available under the provisions of the Negotiable Instrument Act and/ or under the provisions of all other law in force.
- l That the company / concern shall display a board of 6' x 8' at site mentioning that the project has been financed by RFC and the purchaser shall have to obtain No Dues Certificate from RFC before purchasing the area by them in the complex.

- m That the directors of the company shall certify that there are no criminal / economic offences cases are/ were reported against him and the concern or are pending.
 - n That transparency and fair business dealings/ ethic shall be maintained with the prospective buyers/ purchasers.
 - o That the company / concern shall deposit the sale proceeds of the saleable area as per the details mentioned at condition no. 3 (f) till the clearance of total term loan.
4. A specific condition may be stipulated while sanction of loan that no settlement of the account under the scheme shall be considered as no sacrifice should normally be made by the Corporation in respect of amount of principal and interest thereon.
 5. The promoter / builder / developer / borrower to disclose the charge or any other liability on the plot / property and the information of particular scheme related to Housing / commercial complex in brochure, pamphlets, booking form / application and advertisement in news papers / magazines etc., inviting public at large to purchase shops/ flats and properties. It will also be indicated that they have to obtain certificate of NOC/ permission from the Corporation before execution of sale deed in favour of purchaser.
 6. The borrower shall furnish PDCs for the installments of total term loan & interest.
 7. The borrower shall keep insured the fixed assets i.e. Building, P&M / MFA every year till the entire loan is repaid and copy of insurance policy shall be furnished to the Corporation with hypothecation clause in favour of RFC.
 8. The borrower shall display a board of 6' x 8' at site mentioning that the project has been financed by RFC and the purchaser shall have to obtain No Dues Certificate from RFC before purchasing the area by them in the complex and the same shall be verified by BO.
 9. The borrower shall create & maintain an ESCROW a/c during the currency of Corporation loan in favour of RFC with a scheduled bank wherein sale proceeds of the complex shall be deposited.

10. The borrower shall not sale any part/area of the complex without obtaining the NOC from the Corporation during the currency of the Corporation loan and in case of sale the concern shall deposit with the Corporation 50% of the sale proceeds (as per project report submitted) of any part of the complex till the clearance of total term loan of the Corporation. However, the NOC for last 10% of area / value of complex shall be released only after receiving the entire outstanding loan amount.
11. The Branch Manager may ensure that there is proper demarcation / boundary wall is to confirm the exact location of the land in question proposed in security of the RFC loan and the land is having clear approach from main road.
12. The borrower shall not give the possession of any area in the complex to the purchaser unless and until the amount as per above condition No. 12 is deposited with Corporation and NOC for the same is obtained.
13. If the loanee approaches the Corporation for further loan under project loan scheme for completion of the project after availing loan for land under Builders Scheme, the revision in rate of interest and repayment period as applicable to the respective project loan scheme may be made subject to fulfilling the following conditions :
 - a. If the unit approaches the Corporation for loan under Project Loan Scheme, within a period of six month from the date of sanction of loan under Builders Scheme;
 - b. Amount of further loan sanctioned under project loan scheme shall not be less than :
 1. 50 % of loan amount sanctioned under Builders Scheme, in case the property has been purchased from a private party.
 2. 33% of loan amount sanctioned under Builders Scheme, in case the property has been purchased from a Government body.

Pre disbursement condition for exclusive purchase of land and building :-

- i) The borrower shall keep insured the fixed assets i.e. Building, P&M, F&F, MFA every year till the currency of Corporation loan and copy of insurance policy shall invariably be furnished to the Corporation.