

RAJASTHAN FINANCIAL CORPORATION
(Credit Appraisal Section-1)

Udyog Bhawan
Tilak Marg
Jaipur-302005

Ref. RFC/LA-12(71)/ 337

Date: 08.12.2017

CIRCULAR
(CAS-26..)

Reg: **Saral Scheme for existing running Guest House**

The Corporation has always associated itself with the SME sector units of the State by introducing various loan schemes catering their financial needs. There has been a persistent demand of entrepreneurs, industrial associations and field offices for quick sanction with minimum formalities. Keeping this in view the Corporation introduced a scheme called Saral Scheme for SME Sector in 2007 vide PG Circular No.1211 for existing industrial running units. Later on, the hotels and hospitals were also covered under the scheme to provide quick services for financial needs to the entrepreneurs.

The Corporation is having a scheme to finance guest houses circulated vide PG Circular No.1249 dated 11.12.2008. References were received from field offices to consider guest houses constructed on marketable, mortgageable residential titles under Saral Scheme. The Board of Directors approved a scheme in the meeting held on 14.11.17, namely "**Saral Scheme for existing running Guest Houses**", having clear marketable & mortgageable titles of residential/commercial/guest house/hotel/Tourism purpose (Annexure-'A').

The Board of Directors has also authorized MD to make need based changes in the scheme for smooth operation.

All concerned are advised to make a note of it and fetch maximum sanctionable business under the scheme.


(Anoop Khinchi)
Managing Director

Encl: As above.

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1. All BOs/SOs/FC
2. Standard Circulation at HO
3. Manager (MS) for hoisting on Website.

**RAJASTHAN FINANCIAL CORPORATION
(CAS-1)**

SARAL SCHEME FOR EXISTING RUNNING GUEST HOUSE

1. INTRODUCTION:

Rajasthan has been endowed with the natural and heritage properties which attract the tourists to the state from all parts of the country and abroad. The State is a hot tourist destination and accordingly the Corporation has a lot of business potential in this sector. The Corporation is already having schemes for financing Hotels, Restaurant, Dhabas and Guest houses to cater the needs of tourists. The Corporation is extending financial assistance for new construction/renovation/alternation/modernization of building, purchase of required plant & machinery, furniture & fixture and kitchen equipments in guest house scheme where guest house is constructed on mortgageable and marketable residential title having permission to run the guest house. There are number of running guest houses which are in need of funds for meeting out their working capital requirement as well as for creation of fixed assets. This scheme will provide financial assistance to such guest houses under Saral Scheme provided the existing primary security i.e. land & building is mortgaged to the Corporation alongwith hypothecation of existing plant & machinery, furniture & fixture and other assets and further first charge on future fixed assets created by unit. The guest house should be free from all encumbrances. The salient features of the scheme i.e. Saral Scheme for Existing Running Guest Houses are as under:

2. ELIGIBILITY :

Existing guest house, running for atleast last 6 months and having appropriate location with neat and tidy surroundings at places which have potential for tourist, vacational and other visitors and are ready to mortgage their prime security (land & building) and hypothecation of plant & machinery, MFA, furniture & fixture with corporation under first charge and such units should also fulfill the followings:

- a) The loan amount shall be utilized for creation of fixed assets, renovation/addition/modernization of building, acquisition of Plant and Machinery, Furniture and Fixture and/or working capital in the same unit which is to be mortgaged to the Corporation.

- b) The proposed property to be mortgaged should not be presently lease out /rent out and should not be leased out/rented out in future without permission of the Corporation.
- c) The repayment behaviour and past dealings of the promoters /concern/sister concern/group concern with the Corporation/banks/FI should have been satisfactory.
- d) The Guest House is having permission to run from local authority

However, if the unit(s)/promoter(s) who have availed any benefits/reschedulement benefits in the loan accounts of the concern/sister concerns/group concerns from the Corporation/banks/FIs in the past, than loan under the scheme can be considered on the terms and condition as mentioned in PG Circular No. 1210 dated 29.11.2007.

3. ELIGIBLE AMOUNT:

The minimum & maximum loan under the scheme shall be Rs.10.00 lacs to Rs.300.00 lac.

4. APPLICATION FEE & PROCESSING CHARGES:

Application fee & processing charges shall be charged as applicable in Saral loan scheme.

5. SECURITIES:

- i. The prime security i.e. land & building of the unit shall be under first charge of the corporation by way of equitable mortgage. The title documents of the property should be marketable & mortgageable.
- ii. All existing and future plant & machinery, MFA, furniture & fixture and other assets shall also be hypothecated.
- iii. Personal guarantee of promoter/partners/directors of the concern/firm/company.

6. ADMISSIBILITY OF LOAN:

The scheme is mainly security based, therefore, the MRV of land & building shall be considered as acceptable value. The MRV of land and building will be calculated by a team of two officers of technical & finance discipline as per guidelines issued in this regard from time to time. For the purpose of calculation of

security, the acceptable value shall be considered and 60% loan of the MRV of Land and Building shall be sanctioned, however, it can be extendable upto 70 % of MRV of Land and Building on merits of the case subject to limit of loan restricted upto MRV of land.

7. REPAYMENT PERIOD & MODE OF PAYMENT:

The total loan shall be repayable in 7 years including moratorium period not exceeding six months.

The loan shall be repayable in 27 equated quarterly installments against principal and interest through post dated cheques. The first installment (including principal and interest) shall fall due on first day of the quarter i.e. Dec., March, June & September falling immediately after three months from the date of first disbursement. In case of any balance amount is payable/recoverable (as the case may be), shall be covered adjusted in last EQI.

The Branch shall recover interest for the moratorium period exceeding three months, by calculating the interest manually and the same shall be recovered alongwith 1st EQI through a separate cheque.

8. PROJECT REPORT

The applicant shall furnish the detailed project report for existing as well as proposed project consisting of cost of project, sources of finance profitability & cash flow projections and covering the viability parameters including PC, DER & DSCR etc. Since, this scheme is mainly security based, therefore, project report submitted by the applicant shall not be examined in detail but the promoters appraisal including their back ground, net worth, IT returns, balance sheet of sister concern's, obtaining credit reports, CIBIL reports antecedents verifications etc. shall be undertaken as usual. However, the project report shall be carefully scrutinized to examine viability of project. The project should be prime facie feasible & viable.

9. RATE OF INTEREST

The Corporation shall charge interest rate prevailing as on date of first disbursement of loan in Saral Scheme (including token disbursement). Presently, the rate of interest is 12% p.a.

10. LIQUIDATED DAMAGES

Liquidated damages shall be charged on the amount of default for the period of default as per norms of Corporation.

11. RESET CLAUSE:

The documented rate of interest shall be reset every year after completion of one year from the date of execution of loan documents during currency of loan and the Corporation shall charge rate of interest prevailing at the time of reset of interest or existing rate of interest, whichever is higher.

12. SANCTIONING AUTHORITY:

- a) As per existing delegation of powers under general term loan scheme.
- b) The principal clearance shall be finalized within seven days from the date of registration of loan application and case cleared in principle shall be sanctioned within 15 days positively subject to submission of clear mortgageable & marketable title and other required documents.

13. PREDOCUMENTATION:

- (i) The promoters/borrower shall keep insured the fixed assets i.e. Building, P&M, F&F, every year till the currency of Corporation loan and the copy of the Insurance policy, shall invariably be furnished to the Corporation.
- (ii) 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.
- (iii) **UNDERTAKINGS:**
 - a) The borrower shall furnish undertaking to utilize the loan amount for meeting working capital requirement or for creation of fixed assets to be used in the guest house.
 - b) The borrower shall furnish undertaking that it will comply all legal requirement to run the unit i.e. obtaining consent to establish/consent to operate from RPCB, NOC/Permission

from Local authority and other departments, if required so.

- c) The borrower shall furnish undertaking that the property is owned by him and not let out/leased and free from all encumbrances. The property mortgaged to the Corporation shall not be leased out/rented out in future without the prior permission of the Corporation.
- d) That no litigation in any court/tribunal/forum related to the property proposed to be mortgaged is pending.
- e) The borrower shall furnish CA certificate for utilization of loan in the unit within six to nine months from the date of first disbursement of loan.
- f) The borrower unit shall install a suitable water harvesting system to conserve the water resources.

14. **DISBURSEMENT:**

- a) The disbursement shall be made in one or more installments. The borrower shall utilize the loan and shall submit C.A. certificate/documents for utilization of loan disbursed within 6 months from the date of disbursement as per provision of the scheme which shall be verified by B.O.
- b) The disbursement can be made within 6 months from the date of sanction. However, disbursement beyond 6 months can be considered by charging upfront fee @ 0.1% of amount to be disbursed.
