

RFC/PG/1485

RAJASTHAN FINANCIAL CORPORATION
(Credit Policy & Business Development Division)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302 005.

Dated : 17.07.2015

Ref.No.: RFC/GBD(Gen.)125/k's

CIRCULAR
(LA No. 636)
(CPBD-6)

Reg: **Scheme for Financing against land allotted by RIICO for Industrial units, Hotels & Hospitals.**

RFC is considering financial assistance to MSME units under General Term Loan Scheme. Financial assistance is considered against value of land, building and plant & machinery. RIICO is main agency for developing industrial areas in Rajasthan. The prospective entrepreneurs approach RIICO for allotment of land. Presently the allotment rate/auction rate in RIICO areas is very high, therefore, the entrepreneurs are hesitating to invest their own contribution in land initially and therefore there is a need to finance against land purchased from RIICO at initial stage and after some time, the entrepreneur may approach for financial assistance for setting up project as a whole at proposed site.

The experience of the Corporation in the scheme for purchase of land from Government Agencies like JDA, UIT, Local Bodies and Housing Board to builders has been quite good. On the similar lines, the Board has approved the "Scheme for Financing against land allotted by RIICO for industrial units, Hotels & Hospitals", which is enclosed as Annexure "A".

All the Branch Managers are advised to attend auction of plots conducted by RIICO Ltd. and also see website of RIICO regularly to know the position of available plots etc.

All concerned are advised to take a note of above and act accordingly.

Mw
(Maneesh Chauhan)
Managing Director

Encl.: As above.

Copy to:

1. Standard Circulation at HO.
2. All Branch Offices/F.C.

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Reg:- Scheme for financing against land allotted by RIICO for industrial units, Hotels & Hospitals.

Preamble:

RFC is considering financial assistance to MSME units, Hotels & Hospitals. Financial assistance is considered against value of land, building and plant & machinery. RIICO is main agency for developing industrial areas in Rajasthan. The prospective entrepreneurs approach RIICO for allotment of land. Presently the allotment rate/auction rate in RIICO areas is very high, therefore, the entrepreneurs are hesitating to invest their own contribution in land initially, therefore there is a need to finance against land purchased from RIICO at initial stage. After some time the entrepreneur may approach for financial assistance as a whole at proposed site.

The Corporation introduced similar scheme i.e. for purchase of land from Government Agencies like JDA, UIT, Local Bodies and Housing Board. The Corporation has financed number of builders under the scheme and the experience of the Corporation under the scheme is satisfactory. Looking to the above, a scheme has been framed to extend financial assistance against land allotted by RIICO for industrial units, Hotels & Hospitals.

1. **Purpose of Loan:**
 - (a) Assistance against land cost allotted/auctioned by RIICO in industrial area to individual, partnership concern, private limited companies/Co-operative Societies for industrial units, Hotels & Hospitals may be made available.
2. **Security:**
 - a. The security i.e. land purchased from RIICO shall be under first charge of the Corporation by way of equitable mortgage.
 - b. Personal guarantee of proprietor/partners/directors and their spouses shall be taken for securing repayment of loan and interest thereon.
3. **Admissibility of loan:** The loan shall be 60% of the purchased price (development charges or auction price including stamp duty and registration charges) of land from RIICO.
4. **Amount of assistance:** From Rs.25.00 lacs to Rs.500.00 lacs.
5. **Repayment period:** The loan shall be repayable in 5 years including six months as moratorium period.
6. **Rate of Interest:** The Corporation shall charge prevailing interest rate applicable to MSME Sector as on date of first disbursement of loan. Presently the rate of interest is 12.75% p.a.
7. **Liquidated damages:** Liquidated damages shall be charged on the amount of default for the period of default as per norms.
8. Application fee & processing fee as per norms of the Corporation.

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9. **Sanctioning authority:** As per existing delegation of powers under General Loan Scheme.
10. **Methodology of appraisal:** The scheme does not require detailed appraisal. However, prima facie, there should not be any adverse reporting against the borrower and it's sister concern/associate concern by any financial institution/bank in past and their dealing with the FI should be satisfactory.
- A letter is to be sent to RIICO informing that RFC has extended loan against land for the said plot, therefore, the lease deed of the plot is not to be cancelled by RIICO without the consent of RFC during the currency of loan. RFC may exercise SFCs Act & other act to recover dues of the Corporation.
11. **Mode of disbursement:** The Corporation may issue an assurance letter in favour of RIICO with regard to release of eligible loan amount subject to compliance of condition of sanction letter for creation of equitable mortgage in favour of the Corporation on the same day by way of simultaneous execution of documents and disbursement.
12. **Follow up & monitoring:** Since it is a scheme for purely finance against land, a close follow up and monitoring of timely repayment is required. The BM shall have full powers for taking legal action in case of two consecutive defaults under SFC's Act alongwith action under 138(b) of NI Act for dishonour of cheque to affect recovery without any delay. No reschedulement shall be considered in the scheme.
13. **Conditions:** While considering assistance following conditions shall be stipulated in addition to general terms & conditions:
1. The borrower shall submit an undertaking that:-
 - a) It will comply with all the legal requirement i.e. NOC from R/PCB and other departments, if required.
 - b) That no part of the land will be sub leased out/rented out without prior permission of the Corporation during currency of the loan.
 - c) That the borrower shall implement the project as per terms of RIICO lease deed.
 - d) That the borrower would be exclusively liable to pay lease money, annual rent etc. to RIICO in terms of lease deed
 - e) That the borrower will not deviate any of the terms of lease deed.
 2. No settlement of the account shall be considered and no sacrifice should be made by the Corporation in respect of amount of principal and interest.

Pre-disbursement:

1. The disbursing authority will ensure that the remaining amount (purchase price - admissible loan) has been paid by the borrower to RIICO.
2. The disbursement can be made within three months from the date of sanction.

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