

RFC/P&G/ 1454

RAJASTHAN FINANCIAL CORPORATION  
(Credit Policy & Monitoring Division)

Udyog Bhawan,  
Tilak Marg,  
JAIPUR-302 005.

Ref.No.: RFC/F/CRE-1/228

Dated : 25.11.2013

**P&G C I R C U L A R**  
**(LA NO. 6/5 )**

Reg:- **Policy for CRE Sector for the F.Y. 2013-14**

P.S.

OA

26 NOV 2013

Attention is invited to PG Circular No.1422 dated 05.07.2012 vide which the Loan Policy for the CRE Sector for the financial year 2012-13 was circulated.

The policy for CRE Sector was reviewed and placed before the PC&CC in its meeting held on 07.11.2013 and approved scheme for the financial year 2013-14 is enclosed herewith as Annexure "A".

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 act accordingly.

  
( Yaduvendra Mathur ) 20/11/13

Chairman & Managing Director.

Encl.: As above.

Copy to:

1. Standard Circular at HO.
2. All BOs/SOs/A&I.

**RAJASTHAN FINANCIAL CORPORATION**  
(Credit Policy & Monitoring Division)

**POLICY FOR 'CRE SECTOR' FOR THE F.Y. 2013-14**

**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 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) For purchase of land and building from Govt. Authority (under Builder Scheme).

**3. ELIGIBILITY :**

**A. ACTIVITIES / CRITERIA :**

- (i) Only fresh loan will be considered by the Corporation on bare land. No take over from any financial institution under this scheme is allowed.
- (ii) 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.

(iii) Exclusively for purchase of land and building:

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 Municipal limits of the cities at Jaipur, Jodhpur & Ajmer for construction of commercial/ residential complexes and Udaipur, Kota, Alwar & Bhiwadi & Bhilwara for residential complex on commercial basis.

**B. ELIGIBLE BORROWER :**

The borrowers may have constitution as company 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) | 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 to company & Regd. Co-operative Society. No loan below Rs.50.00 lacs shall be considered under the Scheme.

(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.

- (c) The maximum Credit exposure limit would not be exceeding to 40% of capital funds of the Corporation to a single group as per guidelines of RBI.
- (iii) Loan upto 50% of the acceptable cost of land shall be considered.

**5. APPRAISAL MODALITIES:**

- (a) The appraisal of the CRE projects shall be carried out by appraisal team of concerned operation.
- (b) Branch Manager himself will carry out site inspection invariably for such projects for loan upto Rs.500.00 lacs and send detail report mentioning the suitability, scope and market potential.
- (c) DGM(Operation) will carry out site inspection and submit the detailed report mentioning suitability, scope & market potential for loan above Rs.500.00 lacs.
- (d) Booking advance received by loanee is to be considered in source of finance of projects.
- (e) The location of the project should be on existing metal road as per Sector Plan/Master Plan approved by the competent authority.
- (f) DGM(Operation) will monitor the implementation of the project.
- (g) Credit Rating will be got done by the company/society within six months from first date of disbursement from authorized Credit Rating Agency and submitted to the Corporation failing which no further disbursement shall be allowed.

**6. SANCTIONING AUTHORITY :**

As per the prevailing delegation of powers of sanction.

**7. 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 directors of the company and Office Bearers of the Co-op. Society for securing repayment of loan and interest thereon shall be obtained.

**8. ADDITIONAL SECURITY / COLLATERAL SECURITY :**

Quantum of collateral security shall be decided on case to case basis on merit.

**9. FINANCIAL PARAMETERS :**

- (a) **Margin of Security (Minimum):**

For construction of residential / commercial complex.

|     |                                       |     |
|-----|---------------------------------------|-----|
| i)  | On Land, Building, P&M and Equipments | 40% |
| ii) | On furniture and fixture              | 60% |

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(b) **Promoter's Contribution :**

Minimum 40% of the project cost for residential complex.  
Minimum 50% of the project cost for commercial complex.

(c) If the loanee approaches for construction of commercial cum residential project, the minimum promoter's contribution shall be decided on the basis of ratio of commercial/residential portion proposed in the project.

(d) **Debt Equity Ratio :** Not more than 2 : 1

106 **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 any a/c of the project, 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.

112 **LIQUIDATED DAMAGE :**

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

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**12. 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.

The date of completion of project will be determined by DGM(Operation).

- ii) **Exclusively for purchase of land & Building :**

The repayment period shall be 3½ years including the moratorium period not exceeding 6 months from the date of first disbursement.

- iii) No prepayment charges are laviabie under the scheme.

**13. OTHER NORMS / CONDITIONS :-**

**A. SPECIAL:**

- (i) **Coverage :**

For exclusive purchase of land & building : Immovable property (land & Building only) mentioned at 3 A (ii) of Eligibility Criteria.

- (ii) **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 @ 50% of the acceptable cost of land.

- (iii) **Disbursement :**

(A) Entire promoter's contribution is to be brought in and invested by the promoter before first disbursement of loan.

(B) Mode of disbursement for exclusive purchase of land and building :

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

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The Corporation may issue an assurance letter in favour of the Govt. authority 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.

- (ii) 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.

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

**OTHERS :**

- (i) Only nine major cities are identified for financing under CRE Sector i.e. Jaipur, Ajmer, Jodhpur for residential & commercial project and Udaipur, Kota, Bhiwadi, Alwar, Bikaner & Bhilwara for residential project. It is also to be ensured that such projects are considered only in Municipal Limits of the Cities.

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

**GENERAL :**

**1. For construction of commercial / residential complex :-**

The residential complex, commercial complex, show-room/sales outlets must be established at prime location/main market centre & within Municipal limit of City.

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

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.

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.

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 of interest/principal or both 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 site plan approved/approved plan for construction of commercial complex/ residential complexes/ flats/ multiplexes, hotels (tourism related activities) and 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 PC&CC shall be the competent authority for allowing the changes.
- 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/concern 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 for 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. 1000/- 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 NOC 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.
- 4.1. As 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.
- 5.2. 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.
- 6.3. 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 Objection 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 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. The other terms and conditions of the General Schemes shall also be applicable in CRE Sector.

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 loanee 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.

**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.
- ii) In case of release of direct payment of admissible loan amount to the Government Authorities, the disbursing authority before release of admissible loan shall ensure that the remaining amount (purchase price - admissible loan) has been paid by the borrower and the cheque / DD has been cleared.
- iii) The disbursement can be made within 6 months from the date of sanction conveyed. Thereafter, upfront fee @ 0.1% of amount to be disbursed shall be charged.

**Pre cautionary measures to be taken for financial assistance to CRE Sector**

1. Where land is allotted at concessional rate then before accepting the property clarification/ information/ permission may be obtained from the lessor in respect of cost of land and to allow the corporation to mortgage the land with clear stipulation that in case of default the corporation can recover its dues by way of sale/transfer/lease out the said property without obtaining further permission of the lessor and without paying any extra amount to the lessor and if any amount is payable in respect of present rate minus concessional rate then it should be paid by the purchaser and not by the Corporation. HO and BO may also comply with the same at the time of sale of such units under possession.
2. As per prevailing practice a condition shall invariably be stipulated in all such loan proposals that before disbursement of the loan, the borrower shall display a sign board at the site mentioning that the property is mortgaged to the Rajasthan Financial Corporation and before selling any part of the property/ flat NOC of RFC is necessary. However, BOs shall strictly follow FR Circular No. 600 dated 20.04.2010 issued in this regard. Case-wise monitoring of cases may be made by FR Section on monthly basis.
3. In case the building is already constructed then during appraisal the borrower may be asked to submit details of sources of funds to ascertain that the building is not constructed with the financial assistance/loan of FIs/Banks etc. and not with the advance amount received against any sale agreement etc. Copy of bank statement of borrower and its promoters may also be obtained to check the position of funds during appraisal and disbursement.
4. Prior to sanction of loan, Borrower/promoters shall be required to submit affidavit stating therein that the property in question is free from all encumbrances and they have not entered into an agreement with anyone in respect of said land and in respect of any part of constructed building and had not received any advance amount from anyone and the same status shall be maintained during currency of loan unless any written permission is taken from RFC. If any advance amount is received, then loan amount be reduced accordingly.

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