PG-1089

RAJASTHAN FINANCIAL CORPORATION
(Technical Cell)
Udyog Bhawan, Tilak Marg,
Jaipur-302005

CIRCULAR

Ref: RFC/MTC(81)/ 557 **Dated: 1.11.2004**

Sub : PROCEDURE FOR CALCULATION OF MARKET REALISABLE VALUE (MRV) OF ASSETS.

Guidelines were issued vide PG circular No. 1051 dated 23/24.4.2004 for calculation of MRV of assets by field officers for properties being offered in collateral security as well as for industrial units taken into possession for taking decision in the matter of approval of sale.

The matter for calculation of MRV of units in possession was taken up in PC&CC meeting held on 13.10.2004 and the PC&CC has recommended further modifications in the procedure for calculating MRV of assets with a view to speed up the process of sale of units particularly looking to the fact that due to MRV rider, units are not being disposed off quickly.

After considering the modifications recommended by PC&CC , the revised guidelines are as follows:

1. LAND:

(i) The present rate of land of RIICO may be high or low compared to market rate. The cost of land shall be based on the average of sub-registrar rate and RIICO rate(whichever is higher) and the market rate.

(ii) For land other than RIICO industrial areas where the sub-registrar rate is less than the market rate, the cost of land shall be based on the average of sub registrar rate and the market rate.

However , if the sub-registrar rate is more than the market rate, the cost shall be taken based on market rate alone instead of average rate.

(iii) For ascertaining market rate, the following sources may be contacted/tapped:

(a) Purchaser/Seller of recently transacted land in the area.

(b) Sub-registrars office for the actual sale transactions recently taken place.

(c) Any government office/Panchayat office/local or revenue authorities situated in the nearby vicinity,

(d) Neighbours/promoters of nearby land/industrial units.

(e) Rates realized in recent sales by the Corporation/RIICO.

(f) Real estate dealers in that area.

Details of sources contacted alongwith their complete name, address, telephone nos., date of contacting etc. shall be specifically mentioned/ recorded in the valuation report while calculating MRV.

(iv) For assessing rate of land outside the state for the purpose of collateral security, the same procedure as mentioned above at para (ii) and (iii) shall be applicable.

(v) Wherever the market value is more than 3 times of sub-registrar value the team calculating the MRV shall justify the same with detailed reasons. The Branch Manager shall invariably visit the site alongwith the team and will sign the report.

(vi) Where the valuation of the single property is more than Rs.1.00 crore and above, the Branch Manager may, at his discretion, inspect the property.

(vii) For the land/plots in the nearby vicinity where RIICO/any government agency/UIT etc. had auctioned the land/plot recently, rate approved in the auction will be considered while calculating MRV instead of average rate.

(viii) Due weightage should be given for slow/fast moving industrial areas and major factors like shape of the land, facing of the land, amount spent on development like construction of roads, drainage, leveling, availability, locational advantage/disadvantage, possibility of conversion to residential/ commercial use, approachability etc., while estimating the MRV. The reasons of weightage should be clearly mentioned in the report,

(ix) For arriving at actual realisable value of land, RIICO dues may be deducted from the value of land calculated as per this circular (in the add/less column at Point No. 1 for land in format annexed with the Circular)

2. BUILDING:

The MRV of the buildings can be calculated as per the procedure adopted for valuations at the time of disbursement. The present rates of building construction should be applied for arriving at the cost and then depreciation value is to be determined by applying depreciation rate @ 1% (straight line) for good quality buildings (such as Hotels, Hospitals, Pharmaceutical units, electronic units, computer centers, commercial complexes, showrooms, offices, etc.) and @ 2% p.a. (straight line) on all other type of buildings Further deductions are to be made for the defects/ damages in the buildings. The cost of defects / damages may be calculated on the basis of detailed costing based on latest BSR rates i.e. the cost to be incurred for removal / rectification of the defects / damages.

3. PLANT AND MACHINERY:

i) The purchase price of P&M and equipments should form the basis for the purpose of working out depreciated value.

ii) While arriving at the value of the P&M, the condition of each machine, the completeness of the plant including the accessories, electrical required to be attached with the plant should be taken into consideration. If the machinery is not complete then deductions are to be made on this account.

iii) The depreciation from the date of purchase to the date of calculating MRV should be taken @ 15% p.a. on written down value (WDV).

iv) However, for following type of P&M and equipments, the WDV so arrived is to be further reduced by 50% for arriving at MRV of these items:

(a) Fast changing technology items / equipment.

(b) Obsolete technology / plant and machinery / equipments

(c) Chemicals plants / furnace / kilns.

The illustrative (not exhaustive) list of fast changing technology items / obsolete machinery is given below. However, if the assessing officers want to include any other item / equipment, P&M depending upon their experience, market reports, etc., they should be referred to DGM(Tech) at Head Office for considering inclusion in the list.

a. FAST CHANGING TECHNOLOGY ITEMS/ EQUIPMENTS:

1. Computer related machines
2. Computer based Medical Equipments
3. Laboratory equipments
4. Office machinery like fax/ photostat etc.
5. Automatic control equipments like Programmable Logic Controllers (PLC), Text Display and Operator Panels, Mini Controllers, Uninterrupted Power Supply (UPS), etc.

b. OBSOLETE TECHNOLOGY ITEMS / EQUIPMENTS / PLANTS :

6. Cimmco Looms
7. Old Model Vehicles like Hindustan, Ford and Transport vehicles of any make/ type� in possession for more than 5 years.
8. Converted / Mini Gangsaws having less than 25 blades etc.
9. Mini Cement Plants
10. Granite tile plants upto size 1’x1’

v) MRV of electrification and erection and installation should be segregated from the total cost of P&M and should be shown separately so that if the main P&M is sold separately and is to be shifted by the purchaser to some other new place then the value under this head can be taken as scrap value.

vi) The MRV of P&M can be further reduced by 3% if the general maintenance/ upkeep of P&M is poor / un-satisfactory.

vii) If the team calculating the MRV feels that due to market conditions / condition of the machines / other reasons, the Plant & Machinery can be sold at a better price than the price arrived at by the laid down procedure, the same can be increased by the team in the interest of the Corporation mentioning the reasons in the report.

viii) In some cases, there may be no demand of a particular type of P&M in the market or the machinery has become junk then the same may be taken as scrap having negligible value and MRV be calculated accordingly.

4. OTHER ASSETS:

In addition to land, building and Plant & machinery, every industrial unit is having some equipments which also have to be given due care while arriving at the MRV of total assets which has-been taken into possession. The basis of arriving at the MRV of such equipments shall be a balanced application of mind as to what price a particular miscellaneous equipments can fetch. While assessing such value, the present market value of such equipments, less depreciation and condition of the equipment is to be considered.

5. REVISION IN MRV:

A) If unit is not sold even after one year of take over of assets or after 10 auctions, whichever is earlier, MRV be revised by a team consisting of a Technical Officer, Finance Officer and the Branch Manager.

B) If the unit is not sold for next one year, even after revision of MRV or further 10 auctions, whichever is earlier, MRV be again revised by a team consisting of Technical Officer, Finance Officer, concerned Branch Manager and an officer deputed by the DGM (R) from Regional Office.

C) If the unit is not sold even after adopting step (B) above for a period of another one year or further 10 auctions, whichever is earlier, then DGM (R) should be associated with the team mentioned at step (B) and the MRV may again be revised.

6. GENERAL POINTS:

i) For calculating MRV of industrial units being offered for the purpose of collateral security, the value of P&M will be treated as nil.

ii) The above procedure for calculating MRV of land and building will be same both for properties being offered in collateral security and industrial units to be taken into possession/in possession for taking decision in the matter of approval of sale.

iii) The MRV will be initially calculated by a team of two officers out of which one should be of technical discipline.

iv) A certificate with respect to adhering to the Circular strictly be recorded by the team in the report invariably to ensure that the actual MRV has been worked out.

Since now, other State Govt. dues are paid by the Corporation as per 70:30 norms of the Govt. and details of dues of Corporation, Banks, Govt. Subsidy etc. are kept to be accounted for separately by the Branch Manager, point 6 (dues) and 7 (Institutional dues) of the proforma annexed with the earlier circular are dispensed with. Revised format in which the MRV is to be assessed is enclosed. All concerned are enjoined upon to follow the revised procedure / guidelines in assessing MRV of the assets henceforth.

The above guidelines are in supersession to all earlier guidelines on the subject, for internal use only and shall come into force with immediate effect.

(Sanjay Dixit)

Chairman & Managing Director

Encl: as above

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i) All Bos/Ros/SOs
ii) DGM(A&I), Western Zone
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