RAJASTHAN FINANCIAL CORPORATION  
(Credit Policy & Monitoring)

No.:RFC/MTC-81/2 | Dated: 01.06.2012

CIRCULAR

It has been observed that there is extra ordinary variation in the cost of the building assessed at the time of valuation, the MRV of the building calculated for the purpose of sale and the value fetched by the Corporation while disposing off a unit. The matter was discussed in detail in the PC&CC and it is felt that the guidelines for computing MRV issued from time to time by the HO are not being strictly followed.

In order to remove this anomaly, attention is once again invited towards the following steps which are essentially required to be followed:

1. While computing the cost of construction, the building rates circulated vide PG Circular no.1382 dated 15.06.2011 are to be followed for SME Projects and for Hotels multipurpose Commercial Complexes and Residential Complexes, the rates circulated vide PG circular no.1278 dated 24.08.2009 are to be considered.

2. While calculating MRV of a building either at the time of possession or for the purpose of sale, the guidelines issued vide PG Circular no.1089 dated 01.11.2004 are to be followed. As per these guidelines, 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 centres, 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 the latest BSR rates i.e. the cost to be incurred for removal/rectification of the defects/damages.

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3. The existing procedure for estimating the cost of land and plant and machinery at the time of appraisal and the MRV of land and plant and machinery at the time of possession/disposal of the unit shall continue to remain in force.

4. The MRV should invariably be computed by team of two officers out of which one should be of technical discipline and the BM should ensure that a certificate with respect to adhering to the circular is recorded by the team in the report invariably.

5. The detailed guidelines issued vide PG circular no.1089 dated 02.11.2004 shall continue to remain in force and are to be followed by the field offices.

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

( YADUVENDRA MATHUR )
Chairman & Managing Director

Copy to:
1. All DGM(Operations).
2. All BOs
3. PA to CMD.
4. PS to ED.