



Receivables Funding & Loan Against Property



Knowledge Bytes S1-E3

Recap

✓ Ep 1 : Introduction to Investment Banking

✓ Ep 2 : Debt Products in Real Estate Financing

Ep 3 : Receivables Funding & LAP

✓ Receivables Funding

→ Introduction

→ Loan Structure

→ Process Flow

✓ Loan Against Property (LAP)

→ Introduction

→ Loan Structure

✓ Receivables Funding vs LAP

Receivables Funding

Receivables Funding also known as Last Mile Funding is increasingly getting popular as an option for developers experiencing slowdown in sales due to adverse market factors.

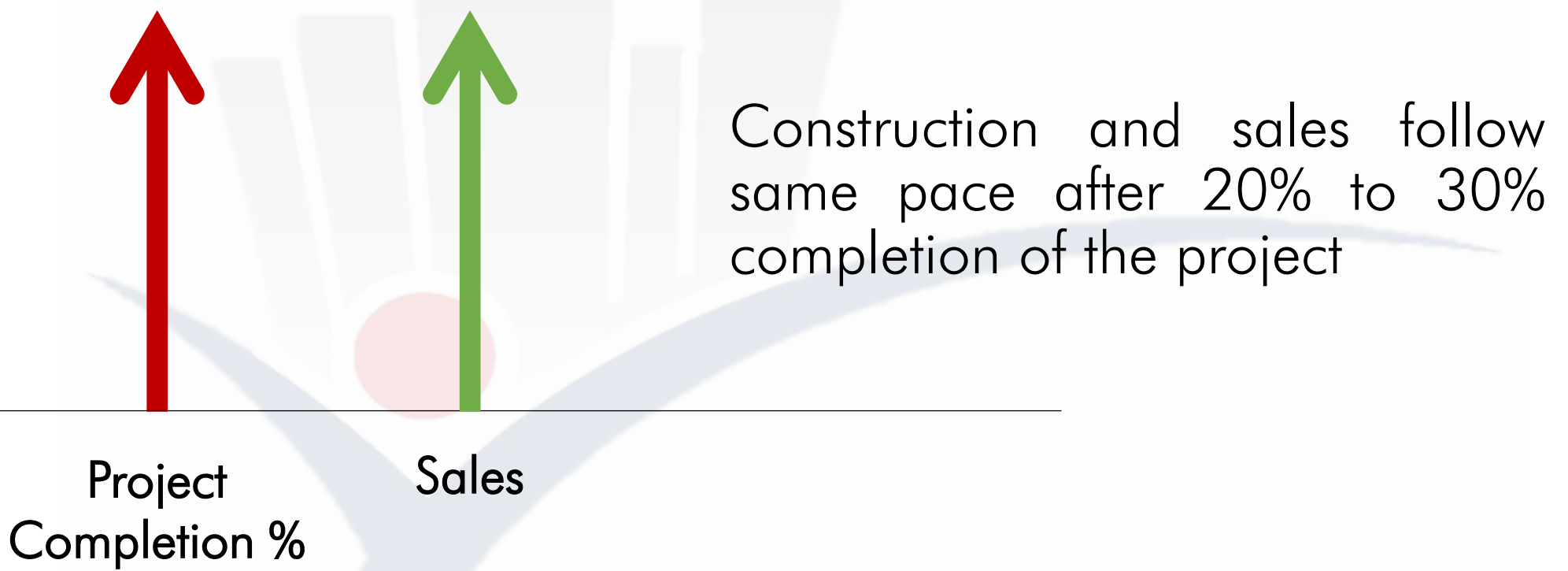
This product helps developers raise capital for both the current project completion as well as for future projects.

Factors leading to demand for Receivables funding

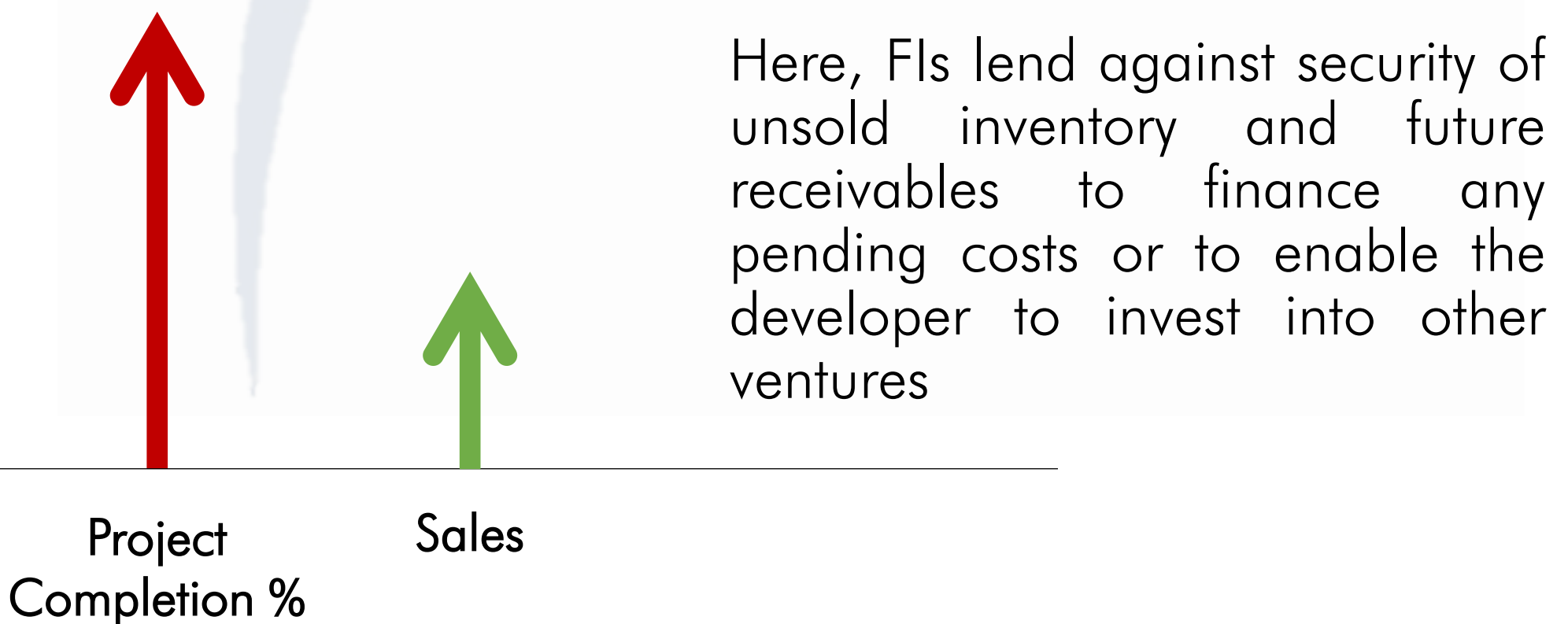
- 1 Extended slowdown in home sales
- 2 Completion of the project on time
- 3 Cost overruns caused by extended project timelines

Receivables Funding (Contd.)

In general scenario



During slowdown



Receivables Funding (Contd.)

Loan Structure

Loan Eligibility –

Project should be at least 80% Complete

Interest Rate – 10% to 16.50%

Processing Fees – 0.50% to 1.50%

Loan Tenor – 16 to 36 months

(Including 6-18 months of moratorium)

Capitalization* – Capitalization for this product ranges from 70-90% which is substantially higher than Plain Vanilla CF

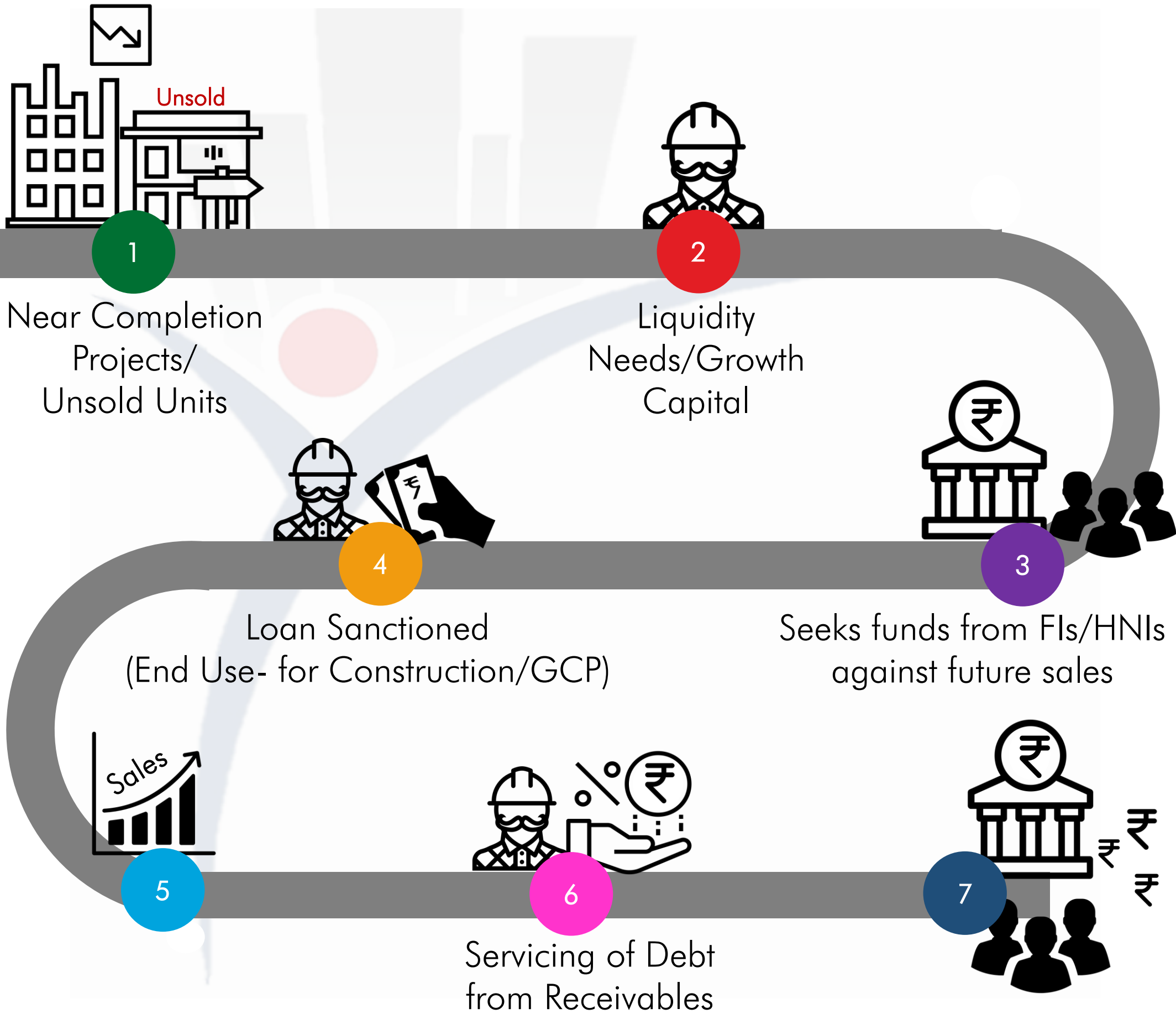
Purpose of the Loan – Balance Project Expenses / GCP**

Risk – Sales Risk

*Fixed % is deducted from lender's escrow account which is utilized towards repayment of loan obligation

**General Corporate Purposes

Receivable Funding Process Flow



Loan Against Property

LAP, a retail product unlocks the potential value of your commercial or residential property (occupied/unoccupied), to take care of an immediate financial need.

Features of LAP –

- ✓ Loan Against Property (LAP) as the name suggests is availed against the security of a property
- ✓ LAP is a retail product, however FIs are offering this facility known as Builders' LAP to developers against an 'OC* received' property
- ✓ Loan Approval process is quicker and hassle-free compared to other RE debt products
- ✓ The LTV** ratio ranges between 55-65%



*Occupancy Certificate

**Loan To (Property) Value

Loan Against Property (Contd.)

Loan Structure

Loan Eligibility – Satisfactory financial & operating cash flows of the borrower/co-borrower as per past 3 ITR returns

Interest Rate – 9% to 14% (Depends on tenor & borrower profile)

Loan Tenor – 5 to 15 Years
(No moratorium or capitalization for LAP)

Processing Fees – 0.5% to 1.5%

Purpose of the Loan – GCP*

Risk – High Default Risk

Receivables Funding

Loan Eligibility

Calculated on basis of future receivables i.e. sold/unsold inventory lying in the project

Product Type

Construction Finance product

Due Diligence

Extensive due diligence carried out for the whole project (even if the units being offered as security are OC received units)

Repayment

Major repayment through capitalization

Loan Against Property

Loan Eligibility

Satisfactory financial & operating cash flows of the borrower/co-borrower as per past 3 yrs. ITR returns

Product Type

LAP is a Retail Asset product

Due Diligence

Limited due diligence on the borrower's property and his financials

Repayment

Monthly EMI obligation

“
An investment in knowledge
pays the best interest.

- Benjamin Franklin
”

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