

**RAJASTHAN FINANCIAL CORPORATION
(F&R SECTION)**

RFC/23FR/HO/Policy/28 / 341

Dated: 24th April, 2004

**C I R C U L A R
(FR - 307)**

Reg: Recovery Strategy: 2004-05

At the outset the all-time high sanctions, disbursements and recovery made during the financial year 2003-04 make us believe that the available manpower can make a dent even in adverse circumstances.

Further, we also need to differentiate between the branches that have given good results and the branches that have not given satisfactory results. Hence, incentive and dis-incentive(reward & punishment) are also to be attempted.

By the time this circular reaches you, you must have made plans for the current year. For your information, the Corporation has fixed much higher goals to achieve this year. Setting higher goals is the need of the hour as without these the Corporation will not be able to sustain its over-heads and may not be able to conform to the MOU reached amongst Government, SIDBI & RFC. The goals set are linked with quality recovery.

This year, recovery would mean interest recovery and NPA management, giving backseat to principal recovery. The target fixed for interest recovery is Rs. 125.00 crores. On NPA front, preventing deterioration of standard accounts, elevation of sub-standard/doubtful accounts and cleansing of loss accounts portfolio have to be the strategy. Therefore, recovery efforts are to be directed towards maximum recovery of interest and elevation of sub-standard, doubtful portfolio to standard portfolio.

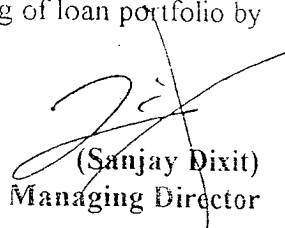
In order to achieve the defined targets the following points are to be kept in mind:

- a) All standard accounts as on 1.4.04 must remain in standard category only. 100% interest for the current year and minimum 50% out of arrears should be recovered from this category of accounts.

- b) 95% interest in sub-standard accounts should be recovered alongwith arrears meaning that maximum sub-standard accounts as on 1.4.04 be elevated to standard category. A vigil be kept on projects under implementation and it be ensured that interest accrued on disbursements made during 2003-04 and 2004-05 is recovered in full as and when it falls due.
- c) Interest equivalent to interest of 4 quarters should at least be recovered from doubtful accounts.
- d) At least 25% yearly interest accrued in case of loss assets should minimum be recovered.
- e) Action for recovery of dues should be initiated on the very first default in standard accounts and this may include a letter of warning or pre- intimation of interest falling due in the near future. The list of such defaulting units should be sent to Head Office by 10th of every month.
- f) Health-code category should be maintained, preferably elevated by way of liberal reschedulement after recovery of entire interest.
- g) Where interest dues have accumulated equivalent or more than principal sum, proposal for funding of interest, on case to case basis, may be forwarded to H.O. ensuring that minimum 4 quarters interest of the current year is recovered.
- h) The DGMs(R) will monitor all cases having overdues above Rs. 20.00 lakhs and will decide line of action for each case in the first quarter of the financial year itself.
- i) Units having sanction amount more than one crore are necessarily to be inspected on quarterly basis by DGM(R). For units in this bracket, if in default, a report be sent to GM(D) indicating categoric action for regularisation of such accounts.
- j) Branch Managers will distribute all units amongst officers and staff posted in the Branch. The officials will furnish weekly reports to the Branch Manager who will work out the expected recovery from each unit.
- k) Wherever wilful default is noticed, inter alia, siphoning of funds, transfer of funds and cases of maleficent nature, these are to be taken up on priority recalling the dues of the Corporation and appropriate action thereof.

- i) Cases having overdues above one crore except BIFR cases, & cases 'stayed from Court' will be forwarded to GM(D) for H.O. level Default Review Committee. Similarly, cases having default between 30 lakhs and one crore will be reviewed regularly by the DGM(R) on monthly basis and cases having default below Rs. 30.00 lakhs will be reviewed by the Branch Managers.
- m) Review notes of Branch-level cases will be sent to DGM(R) and review notes of DGM(R) will be sent to GM(D) for record.
- n) All cases having collateral security should not be allowed to commit default.
- o) In Court cases BMs may pursue loanee concerns to come to negotiation table for 'out of court' settlement.
- p) Where it is felt that Section-29 is the only option, wanted action be completed latest by August, 2004.
- q) Where the field office feels that settlement can be reached particularly in loss and doubtful cases, their registration be completed by August so as to get results in current financial year.
- r) Reschedulement cases of last 2 years, inclusive of Roll-over and IRS, must not be allowed to commit default. In case of default, letter for withdrawal of reschedulement be issued.
- s) In the cases of 'Good Borrowers' & standard category cases, no sooner the instalments come under default notice be served after a month's time.
- t) Settlement cases be monitored closely and if decision is not adhered to by the loanee concerns, negotiated settlement be withdrawn giving 15 days notice.
- u) In cases where no recovery is received for the last 3 years, irrespective of the size of the unit, appropriate action be taken. The exercise of identifying such cases be completed by 30th May, 2004.
- v) The Nodal Officers, on their visit to the concerned area, are to screen all Court cases, Deficit cases and also BIFR cases.

Since as per the MOU NPAs are to be brought down to 10% during restructuring period, besides recovery of interest as first priority elevation of health-code category is to be the motto. For this cleansing of loan portfolio by way of settlement, can be a good option.


(Sanjay Dixit)
Chairman & Managing Director

Copy to:

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2. Eastern & Western Zones of A&I
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