RFC/FR/PG-1074

RAJASTHAN FINANCIAL CORPORATION
(FR Section)
Udyog Bhawan, Tilak Marg
JAIPUR - 302 005

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CIRCULAR
(FR No.313)

Reg: **One Time Settlement Scheme for NPA Accounts**

The Corporation is operating One Time Settlement Scheme since 1994 and in the year 1998 Empowered Settlement Committees at State level(SLC), at Head Office level(HOLC) and at District level(DLC) were formed.

In order to bring uniformity and streamline the procedure for one time settlement, a New Scheme for One Time Settlement is being launched for the financial year 2004-05.

The New One Time Settlement Scheme lays down some specific guidelines/criteria on which a loan account is to be settled. A copy of the Scheme is being enclosed for information and necessary action.

(Sanjay Dixit)
CHAIRMAN & MANAGING DIRECTOR

Encl.: as above.

cc.to:

1. All ROs/BOs/Sub-offices
2. DGM(A&I), Western Zone
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RAJASTHAN FINANCIAL CORPORATION, JAIPUR

(FR Section)

SCHEME FOR ONE TIME SETTLEMENT OF NPA ACCOUNTS

1. **OBJECT:**

The Corporation is heavily burdened with NPAs. It has been felt that process of redressal of grievances and settlement of NPAs through Empowered Settlement Committees need some improvements so that decision making may be faster, time-bound, transparent and rational. Therefore, a time bound scheme for One Time Settlement is proposed for the year 2004-05.

2. **ELIGIBILITY:**

(i) The accounts categorised as `Doubtful' or `Loss' as on 31.3.2004.

(ii) The cases registered and have not been decided by Committee viz DLC/HOLC/SLC will be eligible for settlement. Cases already forwarded to HO will be placed before HOLC/SLC as the case may be. Only new cases will be registered under this scheme.

(iii) 'Sub-standard' cases of units closed for last one year; granite; mini-cement plant; salt; power-loom and transport sector.

(iv) 'Sub-standard' cases other than mentioned in sub-clause (iii) above, where BM/DGM(R) are of the opinion that it will be in commercial interest of the Corporation to settle such accounts. The field offices shall forward such cases with full justification to HO and after due permission of Competent Authority case shall be registered under the scheme within one month from the date of approval.

(v) Cases in BIFR, stayed by court or where proceedings u/s. 31(i)(aa), 32G are pending will also be eligible provided party agrees to withdraw court cases filed by it. In these cases, relevant court/authority will have to be informed.

(vi) All cases having sanctioned amount upto Rs. 2.00 lakh, written off cases, deficit cases, decreetal cases and transport cases can be registered irrespective of health-code category.

(vii) Also cases, where date of sanction is prior to 31st March, 1985, can be considered irrespective of amount and health-code category.

3. **REGISTRATION FEE AND UPFRONT AMOUNT:**

The cases will be registered by charging following fees and upfront amount. Fee will be non-refundable and will be income of the Corporation:-

		Cases	Fee	Upfront
i.	(a)	Cases where disbursed amount was not more than Rs.50,000/-	Rs.500.00	-
	(b)	Cases where total outstanding dues in all the accounts of the unit were not more than Rs.50,000/- as on 1.4.2004.	Rs.500.00	-
ii.	(a)	Cases where disbursed amount/total outstanding as on 1.4.2004 was more than Rs.50,000/-, but upto Rs.5.00 lakhs in all accounts.	Rs.1000.00	10% of (principal + other money) outstanding in the account as on 1.4.04.
	(b)	Loss accounts irrespective of amount and not covered in (i) above.	Rs.1,000.00	10% of (principal + other money) outstanding in the account as on 1.4.04.
iii		Cases where disbursed amount/ outstanding dues as on 1.4.04 were above Rs.5.00 lakhs, but upto Rs.25.00 lakhs and not covered in category (i) and (ii) above.	Rs.2,000.00	15% of outstanding principal + other money in the accounts.
iv		Cases where total disbursed amount was/total outstanding dues in all the accounts as on 1.4.04 were above Rs.25.00 lakhs but not more than Rs.50,00,000/-	Rs.3,000.00	15% of outstanding (principal + other money).
v		Cases where total disbursed amount was/ total outstanding dues as on 1.04.04 were above Rs.50.00 lakhs upto Rs.1.00 crore.	Rs.4,000.00	15% of principal + other money.
vi.		Cases where total disbursed amount was/ total outstanding balance as on 1.04.04 were above Rs.1.00 crore.	Rs.5,000.00	20% of (outstanding principal + other money)

Fee and upfront may be deposited upto cut-off date for registration either in piecemeal or in lumpsum, but not thereafter . Upfront will be adjusted in final settlement amount decided by competent authority and will be mentioned in order of settlement. Fees will not be adjusted nor refunded in any case.

4. **CUT OFF DATES:**

i.	For registration of cases	31.10.04
ii.	For settlement / disposal	31.01.05
iii.	For depositing settlement amount without interest	31.03.05
Authority competent to settle the cases may extend date of receipt of settlement amount upto 30.09.05 with simple interest on reducing basis @ 13% p.a. provided 50% of settlement amount is received by 31.03.2005.		
iv	For issuing NOC	15 days after receiving entire settlement amount along with interest, if applicable.

5. **SETTLEMENT AMOUNT**

(A)	**For cases having sanctioned amount upto Rs. 2.00 lakhs**	
i(a)	Where either no security is available or security available including MRV of primary assets/equitable mortgage/ collateral security/ net worth of promoters and guarantors is not more than 125% of total outstanding principal plus other money as on 1.04.04.	Principal + other money.
i(b)	Where adequate security is available in sanctions upto Rs. 2.00 lakh	Cases may be settled on double the principal sum outstanding plus other money.
ii.	**Deficit cases and Loss cases** (a) Where no security or security available is less than 125% of outstanding principal plus other money. (b) Where security is available	Principal segment of deficit amount + other money. Principal + interest segment of deficit amount + O.M.
iii	Decreetal cases	(a) Not less than decreetal amount + other money, if decree was passed before 1.04.2000. (b) Decreetal amount + interest as per orders of court where decree was passed after 31.03.2000.
iv	Cases of granite units of small size (2'x1' or 1'x1/2')); salt units; power-loom units; transport loans etc. where either no security is available or security available including net worth of promoters/guarantors is not more than 125% of the total principal + other money outstanding in books of accounts as on 1.04.04.	Principal sum plus two times interest minus repayment made by the loanee in earlier years but not below principal sum + O.M.

(B)	**Cases where sanctioned amount is more than Rs. 2.00 lakhs or which are not covered under category (i) to (iv) above.**	
I.	**Settlement Amount on the Basis of Securities**	While settling the non-performing accounts through the process of Settlement Committees, it is necessary to have fair assessment of securities available with the Corporation in the form of prime security, collateral security and third party guarantee. Looking to the various market conditions and repayment capacity of the borrower, the following percentages are suggested for their securities as indicated above. **Name of Security** — **Percentages proposed to be assigned** a) Prime Security — 90% b) Collateral Security — 75% c) Third-party Guarantee — 50% The above weights can be better understood with an illustrative example as under : Principal outstanding : Rs. 3.00 lakhs Interest : Rs. 12.00 lakhs Total outstanding : Rs. 15.00 lakhs The security position may be taken as under : Prime Security available = 4 lac Collateral = 3 lac Third Party guarantee = 1 lac **Amount** x **Percentage** = **Product** Prime Security 4 x .90 = 3.60 Collateral Security 3 x .75 = 2.25 Third Party Guarantee 1 x .50 = 0.50 6.35 The above account can be settled in not less than Rs. 6.35 lakhs.

II	**On the basis of age of account**	**a) Cases disbursed prior to 1985** The amount can be settled in principal plus interest equal to 4 times the principal. The amount paid by the party can be deducted out of amount arrived as above subject to minimum of principal out-standing plus interest equal to 50% of principal. **b) Cases disbursed between 1986 to 1995** The amount can be settled in principal plus interest equal to 3 times the principal and the amount paid by the party can be reduced, subject to minimum of P +(I = P) = 2 P is mini settlement amount. **c) Cases disbursed after 1995** The loan account can be settled in principal plus 2 times interest equal to principal. The amount paid by the laonee earlier can be reduced out of this total amount, subject to minimum of P + 1.5.
III	Cases where last disbursement was made after 31.3.95	Entire penal interest or part thereof + 10% of interest outstanding on the date of settlement may be waived. First penal interest is to be deducted.
IV	Cases of units closed for more than 2 years; abandoned units; cases under litigation; units under possession; BIFR	- Entire or part penal interest may be waived. - Simple interest may be charged for possession/ closure period/period under litigation and since beginning for abandoned units. If interest so calculated for such period is arrived at more than principal outstanding; such interest may be charged upto the extent of principal sum outstanding.

V	Write off/write back cases	Minimum write off amount where no security is available. Write off + part or full write back amount where security is available.

Note :

1. Where reference to security has been made, it should include MRV of primary assets/ equitable mortgage/ collateral security and third party guarantee.
2. While settling the cases by the respective Committees, the amount of settlement can be assessed by applying the above two formulae. Of the two values the higher value will be minimum settlement amount. However, in no case the loan account should be settled below principal plus OM outstanding in the books.
3. In all settled cases an amount equal to 5% of settlement amount decided by competent authority is also to be recovered in addition to settlement amount as recovery expenses.

6. MODE OF PAYMENT:

Generally settlement amount is to be received in one instalment after deducting upfront or at least within financial year 2004 - 05. In hard cases, at least 50% amount should be recovered upto 31.03.05 and balance upto 30.09.2005. Interest @ 13% is to be charged with effect from 1.04.2005 in such cases.

7. **COMPETENT AUTHORITY**:

1	Cases of category 5A(i) to (iv)	A Committee of BM or DM(I/C) and DM/ AM(FR). Financial implications upto Rs. 2.00 lac.
2	Cases of write off/write back; cases where total outstanding is not more than 10 lakhs as on 1.04.04 where BM is not competent to settle.	DLC Financial implications upto Rs. 2.00 lac.
3	(i) Cases where financial implications are more than Rs. 2.00 lac may be having outstanding less than Rs. 10.00 lac. (ii) Cases having outstanding more than Rs. 10.00 lac and financial implications upto Rs. 30.00 lac.	HOLC Financial implications from 2.00 lac to 30.00 lac.

4	(i) Where HOLC recommends deviations from the policy and settlement amount to be lesser than the minimum amount. (ii) Appeal against HOLC decisions. (iii)Cases having financial implications more than Rs. 30.00 lac.	SLC.

8. **APPEALS:**

Dissatisfied by the decision of any authority, appeal to next higher authority by depositing a fee of Rs.5,000/- plus upfront equivalent to 15% of principal sum + other money outstanding may be filed within 30 days of the decision of lower authority. In such cases appeals should be disposed off upto 28.2.2005. Payment schedule will be as decided by the competent authority in such cases. There shall be no appeal against the decision of SLC.

9. **RESTRICTIVE CLAUSE :**

(a) No "standard" and "sub-standard" cases to be registered, except defined at (sub-clause(iii) and (iv) of Clause 2).

(b) Where security (primary security + collateral security + networth of the promoters and guarantors) is more than 1.5 time of the outstanding, the case will not be eligible for registration for settlement.

However in case of objection by the loanee, screening of the value can be done as per process given here under :-

The loanee concern will deposit a fee of Rs. 500/- in case of loan cases upto Rs. 2.00 lakhs and Rs. 1,000/- in rest of the cases for getting value of securities i.e. primary security, collateral security, net-worth of promoters/guarantors assessed. The Branch Manager/ Branch Incharge will ensure assessment of value of securities within 15 days from the date of registration. This will be subject to random checking and if in random checking variation is found to be more than 10% either side shall be viewed seriously and may call for the action against the Branch Manager.

(c) Cases once decided by the Committee will not be eligible for fresh registration for the same Committee. However, appeal may be preferred as per relevant provisions.

(d) The case decided by HOLC with the consent of the loanee will not be eligible for appeal in SLC.

(e) The cases disbursed on or after 1.4.2000 should not be considered by any settlement committee irrespective of category of account.

10. **TERMINATION OF SETTLEMENT** :

On default of two consecutive instalments decided by the Committee, the settlement reached will stand cancelled.

11. **REMOVAL OF DIFFICULTIES**:

In case of any difficulty in implementation of the Scheme or any clarification or relaxation is required, CMD's decision will be final.

12. **GENERAL:-**

(1) BMs will give wide publicity to the scheme and will also arrange display of scheme on the notice Board of Branch/Regional Office; DIC office, Collector's office, office of local body etc.

(2) BM should issue cyclostyled notice to all loanees eligible for settlement. Where litigation or action u/s 31(1)(aa) or 32G is pending, the notice will be issued "without prejudice".

(3) Competent Authority may start taking decision soon after registration of cases so that work is not piled up.

(4) If any NPA loanee fails to register the case, recovery action must be taken immediately after expiry of cut-off date for registration.

(5) Fortnightly report of cases registered and settled is to be sent to Head Office in enclosed format.

(6) Cases under litigation will be treated as settled when loanee concern withdraws the case filed by it and commits to this effect in writing.

(7) Cases where action under section 31 and 32G has been initiated, the action may continue and the concerning court/authority may be informed as soon as possible when settlement is completed.

(8) In cases where units are under possession, the units may be handed over to the original loanee after receiving 50% of the settled amount including upfront.

(9) Legal notices issued prior to registration of the case will be inoperative after deposition of upfront.

(10) Cases of wilful defaulters/malfeasance/fraud and where criminal cases are pending will not be eligible for settlement.

(11) Recovery action may be initiated in case of first default in repayment of settlement amount. Adjustments for repayments within scheduled times may be allowed by Chairman of concerning Committee after recording reasons.

(12) The scheme is not meant to over-ride the powers of existing Empowered Settlement Committees. It is supposed to serve as a guideline. In case of any exception or deviations, the concerned DLC and HOLC shall record reasons and place it before SLC. Grievance cases can be registered at any time irrespective of the cut-off dates with the permission of CMD and may be placed before appropriate Committee.

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