

RAJASTHAN FINANCIAL CORPORATION

(F&R Section)

Ref. RFC/23FR/HO/Policy-71/ 1788

Dated: 04.10.2004
07**CIRCULAR**

(FR No. 316)

Reg.: Scheme for Funding of Interest 2004-05

Synchronising with Government policy on closed units, the Corporation intends to launch scheme for funding of interest 2004-05. At the close of Financial Year 2003-04, doubtful and loss accounts segments formed about 37% of the total advance portfolio. In these segments the recoveries affected will form part of the interest sum only and will give a boost to interest recoveries that is why this scheme for Funding of Interest (2004-05) is being launched.

The salient features of the scheme are as under :-

1. Eligibility :

All cases falling in NPA category having minimum 4 interest instalments due as on 31.3.04.

2. **Registration Fee** : Rs. 1,000/-

3. **Cut-off date for Registration** : 30.12.2004

4. **Cut-off date for amount to be paid** : i) Two instalments of interest at the time of registration (interest for six months)
ii) Rest four/ two instalments upto 25.3.2005.

5. **No application fee, No processing charges**

6. **Norms of funding - categorywise** :

i) In Sub-standard Cases :

To recover total interest component due on 1.1.05 by 7.1.05 and reschedulement of principal sum from 1.4.05.

ii) In Doubtful-A Cases :

To recover interest for 4-6 quarters in the current financial year and allow benefit of waiver of 50% of penal interest in the interest outstanding on 31.3.04. Rest interest to be funded and principal sum to be rescheduled.

iii) In Doubtful-B Cases :

To allow benefit of waiver of penal interest in the interest outstanding 31.3.04 if interest for four quarters is received in the current financial year. Rest interest to be funded and principal amount to be rescheduled.

7. **Relief :**

Funded interest component shall be treated as further loan on existing documented rate of interest for which no loan application fee and processing charges are to be charged. This account will be given a separate number. This amount will be recovered within 6-36 months. Instalments of funded interest shall fall first. On completion of recovery of funded interest component, instalments of principal sum shall start. During these 6-36 months regular instalments of interest and instalments of funded interest will be paid at the documented interest rate. The period allowed shall be as under :

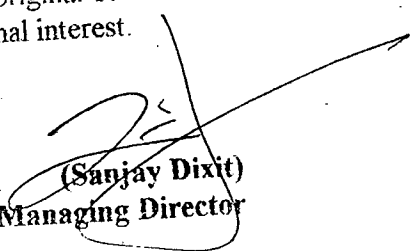
1)	Sub-standard cases	:	6 to 12 months
2)	Doubtful-A cases	:	12 to 24 months
3)	Doubtful-B	:	18 to 36 months

After recovery of funded interest component alongwith interest due, principal and regular interest instalments shall start. This can be recovered in a total period of 5 years. Wherever required, LDR will be deemed extended. The accounting effect shall be given from 31.3.05. The penal interest waived, will be shown separately under GL code 7209. Transaction of funding of interest be recorded through rectification voucher.

8. **Competent Authority :** Branch Manager

9. **Termination of Relief :**

In cases where beneficiary commits default in payment after 1.4.05, the package given above will stand reverted to original schedule of accounts of interest and principal, inclusive of penal interest.


(Sanjay Dixit)
Chairman and Managing Director

cc.to:

1. All ROs/BOs/Sub-offices
2. DGM(A&I), Western Zone
3. Standard circulation at H.O.