

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302015.

Ref.No.23FR/HO/P-3/2771

Dated :01.01.2005

CIRCULAR

(FR/322)

Sub: Interest Relief Scheme for NPAs : 2004-05

The Corporation has been launching Interest Relief Scheme for NPAs since 2000-2001 so as to give a competitive edge to its assisted units that were advanced loans during high interest regime. During the years 2002-03 & 2003-04, 211 units availed benefit under the scheme and the Corporation was able to recover a sum of Rs. 500.55 lacs through this scheme. This year also the Board in its meeting dated 20.12.2004 approved the launching of Interest Relief Scheme for NPAs 2004-05. Copy of the same, as adopted by the Board, is enclosed.

ACCOUNTING TREATMENT

Registration Amount:

The registration amount will be credited to GL Code-5305, titled as 'Income from Registration' by using Credit Voucher (General).

Premium Amount :

The premium amount will be credited to GL Code-5418 titled as ' Premium on reduction in interest rate (IRS-2005)'. The transaction will be recorded through Credit Voucher (General).

Waiver of Penal Interest :

The amount of penal interest waived will be debited to GL Code-7209 titled as 'Penal Interest Waived-IRS-05' initial P/W-1 and the loan account will be credited by using transaction Code-10. The entry will be passed through rectification voucher (loanee).

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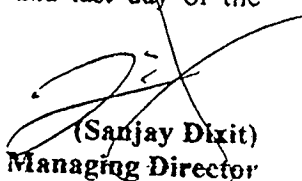
Reduction in Interest Rate:

Interest rate will be reduced from 1-4-2005 by using interest rate update Voucher.

Competent Authority :

The Branch Manager/In-charge is the competent authority for all cases except joint finance cases which will be decided at HO.

A regular feed-back for cases registered under this Scheme be sent invariably to HO(CGMD) in the format enclosed as Annexure-1 on every 7th and last day of the month.


(Sanjay Dixit)
Chairman & Managing Director

Enclosure : As Above.

Copy to :

1. GM(WZ), RFC, Jodhpur.
2. All ROs/BOs/SOs
3. Standard Circulation at HO.

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RAJASTHAN FINANCIAL CORPORATION
F&R Section

**INTEREST RELIEF SCHEME
FOR NPAs 2004-2005**

The Corporation launched Interest Relief Scheme during the years 2000-01, 2001-02 and 2002-03, 03-04 in time-bound fashion. This year also, bearing in mind the object to recover maximum interest component, the Interest Relief Scheme 2004-05 is proposed.

ELIGIBILITY

Sub-standard, Doubtful & Loss assets having interest rate above 12.75% p.a. in the case of SSI and above 13% in non-SSIs, (cases under Good Borrowers Scheme shall not be eligible).

REGISTRATION FEE - Rs. 2,000/-

Rs. 2,000/- has been prescribed as registration fee.

Cut off date - 28.02.05

UPFRONT PAYMENT

No up-front payment under sub-standard category.

In the cases of doubtful and loss category, upfront payment equivalent to 10% of interest outstanding as on Oct. 1, 2004.

PREMIUM AMOUNT

In sub-standard cases, one time premium amount is to be paid by the loanee concern at the time of registration, which would be equivalent to the 50% difference in the documented interest rate and the converted/ reduced interest rate as a percentage of the principal outstanding as on Oct. 01, 2004.

No premium is payable in the cases of doubtful and loss assets category.

PROCESSING

A) FOR SUB-STANDARD CATEGORY

*** Reduction in Interest Rate :**

The loan account is to be converted from higher interest rate to 12.75% p.a. in case of SSIs and 13% p.a. in case of MSI/ Non SSIs. Reduction in interest rate would be made effective from April 1, 2005. Rebate in interest on timely payment would also be applicable.

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* **Reschedulement of Principal Instalments :**

Reschedulement of principal instalment may be considered from April 1, 2005 in a manner extending LDR by 2 years.

The loanee concern is to clear all overdues (worked out on the basis of above reschedulement) by 28.02.2005. No penal interest shall be waived. The branch office, before giving effect to any benefits under this Scheme, would ensure that there are no overdues in the account of the loanee concern as on 01.03.2005.

B) FOR DOUBTFUL AND LOSS ASSETS CATEGORY

After ensuring eligibility, receipt of registration fee and upfront payment, the Branch Office will process the case.

* **Reduction in Interest Rate :**

The branch office shall convert the loan account from higher interest rate to 12.75% p.a. in case of SSIs and 13% p.a. in case of MSI/ Non SSIs. Reduction in interest rate would be made effective from 01.04.2005. Rebate in interest on timely payment would also be applicable as per existing documents.

* **Waiver of Penal Interest :**

The units registered under the Scheme would be given benefit of waiver of penal interest component in the interest outstanding as on 1.1.2005 as follows:-

Out of total penal interest, 100% penal interest would be waived in case of loss assets, 100% in doubtful-'B' and 50% in doubtful -'A' category. The credit of waiver of penal interest in account would be given w.e.f. the date of clearance of overdues as on or before 31.3.05.

* **Reschedulement of Principal instalments :**

Reschedulement of principal instalments shall be considered for a period of 5 years from 1.4.2005.

The Scheme is placed before the Board for consideration and adoption.

Annexure-I

RAJASTHAN FINANCIAL CORPORATION
BR. OFFICE :

Brief details of the cases registered under Interest Relief Scheme for NPAs : 2003-04

S. No.	A/c No.	Name and address of the unit	Registered on (date)	Amount deposited		Health Code Category of A/c	Rate of Interest being charged	Rate of Interest to be charged	Likely quantum of waiver of penal interest (in case of Doubtful/ Loss assets category)
				Regn. fee	Up-front Payment/ Premium				
1	2	3	4	5	6	7	8	9	10