

RAJASTHAN FINANCIAL CORPORATION

Udyog Bhawan, Tilak Marg
JAIPUR-3002005

Ref.No.RFC/23FR/HO/Policy-24/ 3365

7th February, 2005

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CIRCULAR

(FR No 332)

**Reg: Legal Action U/s. 29((d), 31(i)(aa) & 32G land shifting thereof
from One Section to the other.**

SFCs Act 1951 provides various measures under different Sections to recover Corporation dues from defaulting units. Section 31(i)(aa) is used to effect recovery from guarantors of loan. It has been observed that this Section is being used indiscriminately and without taking resort to other measures, like taking over of possession under Section 30/29, effecting recovery as land revenue arrears through district collectors under Section 32(G) etc. Section 31(i)(aa) takes years to bear fruits as court procedure takes its own course and time. Taking action by invoking Section 30/29 and 32(G) will definitely expedite recovery because of pressure mounted on the loanees. Besides this, it will always be prudent to recover dues of the Corporation from primary security and collateral security first under Section 30/29.

In this context, this matter has been examined and it is directed that-

- (1) all the cases of defaulting units be reviewed by Branch Managers and Section 29/30 and 32(G) be invoked first in order to effect recovery from the loanees;
- (2) in case the unit is not saleable or recovery is not possible due to non-availability of primary/collateral security, Section 32(G) be used to effect recovery from other personal assets available with promoters and guarantor(s) of the defaulting units;
- (3) Section 31(i)(aa) be applied as a last resort when there is no chance of recovery by above mentioned measures;
- (4) cases where case under Section 31(i)(aa) has already been filed be also reviewed and if recovery can be effected by taking over the possession and sale of primary/collateral security, then application be moved to the court for withdrawal of case filed under section 31(i)(aa) reserving the right to file the case again, if required, and action for recovery be shifted either to Section 30/29 or 32(G) as stated above; and

(Contd.....P/2)

(2)

- (5) Likewise, for shifting from S-32G to S-29, a request be made to the concerned Collector(Recovery) for keeping the matter in abeyance expressing Corporation's intention to take over the primary/collateral security first and dispose it off.

All concerned are advised to review each and every case and ensure that best suited action for each case is taken for effecting speedy recovery.

Section 31(i)(aa) be used sparingly and as a last resort and not as a first and primary tool as it delays the process of recovery and lead to dumping of cases.

It is reiterated that action under two sections is not to be taken up simultaneously as the doctrine of election is to prevail for the remedies available.



(SANJAY DIXIT)

Chairman & Managing Director

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