

RAJASTHAN FINANCIAL CORPORATION

(FR SECTION)

Udyog Bhawan, Tilak Marg

Jaipur – 302 005

Ref: RFC/23FR/HO/Policy-28/182

19 th April, 2005

CIRCULAR

(FR No. 342)

RECOVERY STRATEGY 2005-06

Quality assets has assumed much importance in the last one decade. Once the asset is booked, maintaining the assets quality is of paramount importance - prevention is better than cure. It is easier to arrest the slippage in quality rather than up-gradation of an NPA. Therefore, in order to achieve the object of arresting NPA and regularising the already slipped accounts, the strategy for the financial year 2005-06 may include the following :

[A] RECOVERY FROM RUNNING/CLOSED UNITS

[a] Close monitoring of the following type of cases :

- [i] The sanctions made from 1st April, 2000 and onwards.
 - [ii] The sanctions of hotels & restaurants, hospitals & nursing homes, commercial complexes and cases under Financed Against Assets Scheme.
 - [iii] Cases where loan sanctioned is above Rs. 50.00 lac.
- [b] No slippage to be allowed from 'Standard' to 'Sub-standard' category. Status of 'Sub-standard' and 'Doubtful' category be elevated.
- [c] In the cases under 'Good Borrower' Scheme, no default to be allowed. Default of even one instalment to be taken care of by Branch Manager immediately. In case of inaction Branch Manager will be held responsible personally.
- [d] In order to regularise the accounts, prudent use of the tools provided under SFCs. Act is required. Reschedulement, deferment, postponement etc. to be completed by July, 2005 in all eligible cases and information to the office of GM(D) to be sent by 15th August, 2005.
- [e] In the cases where the Corporation has no option, the provisions of Section 30/29 of SFCs. Act, 1951 should be invoked both for primary as well as collateral security. The list of such cases be prepared immediately, legal notices should be issued and possession be taken in any case before 31st July,

2005. Following may be the guiding principles for use of these sections prudently –

- [i] Cases having sanctioned amount upto Rs. 30.00 lac of period prior to year 2000 and Rs. 50.00 lac after 2000 having default of more than two instalments.
- [ii] Closed units of company cases having collateral security.
- [iii] In cases where no recovery has been made in last three years irrespective of the size of loan.

[f] Use of Section 32-G

During the year 2004-05 Corporation invoked Section 32-G in a large number of cases. The results have been encouraging. This year also, we can bank-upon use of Section 32-G and the officials of district administration shall be given incentive of 5% as decided by the Corporation. Target shall be separately circulated.

The eligible cases, which can be covered under 32-G, should be identified by 30th June, 2005 positively and be forwarded to DGM(R) after identification of properties. The DGM(R) concerned shall forward these cases to District Collector concerned by 31st July, 2005 positively. For the left-over and new cases that may crop up after 31st July, 2005, action may be taken within 90 days.

[B] RECOVERY FROM UNITS UNDER POSSESSION

- [a] The Corporation should have published a book-let of units under possession and available for sale. This book-let should contain all important information relating to units under possession and it can be priced publication. This will be updated every year as on 1st April. This year, this book-let be got published by 15th of May, 2005.
- [b] Concerted efforts are required to dispose off the units (except those whose MRV has not been calculated within last one year) under possession of the Corporation for which following steps be taken:-
 - [i] Reassessment/recalculation of MRV of all units under possession to be done by 30th May, 2005. The information regarding market rate and DLC rate should also be maintained at H.O. level for fair assessment of MRV.
 - [ii] Sample reassessment/recalculation of the MRV by team of HO:

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1. Where sanctioned loan is up to Rs. 20.00 lac : 5% of the units
 2. Where sanctioned loan is above Rs. 20.00 lac and up to Rs. 50.00 lac: 10% of the units.
 3. Where sanctioned loan is above Rs. 50.00 lac : MRV of 15% of the units.

Note :

- [i] The work of re-assessing the MRV should be made by two officers, atleast one Officer from HO and one officer from field office (other than the officer who earlier assessed the MRV).
- [ii] The work of re-assessing the MRV in the above cases may be completed by 30th May, 2005.
- [c] The priority of the Corporation will be to revive the units under possession, as far as possible, in original hands which is always in the interest of the promoter as well as the Corporation.
- [d] In order to ensure proper functioning of auction committees at RO and BO level, CMD may nominate a team of 2-3 officers to observe the auction proceedings in fast moving areas and for big units.
- [e] To bring prospective buyers, personal efforts shall be made by Branch officials and Branch Manager shall ensure that adequate steps have been taken in this regard.
- [f] In cases, where in spite of making best efforts for disposal of units, efforts should be made to bring the loanees in to settlement so that maximum possible amount is recovered. Likewise, deficit and decreetal cases should also be personally monitored and loanees are motivated for coming to settlement in case recovery is not possible by any other means.

[C] GENERAL:

[a] Settlement Schemes

Settlement of accounts in general may not be good for the Corporation, but in order to get rid of following small and sticky accounts, special scheme are launched:-

- [i] The cases of loan disbursed up to Rs.50,000/-, shipabari, transport loan etc.
- [ii] The cases of deficit, written-off and decreetal nature; and

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- (b) Compliance be ensured in the cases already decided by different Settlement Committees. The cases in which payments are not received as per time frame given by the Settlement Committee should be identified and legal action be taken immediately. Compliance be reported to HO by 30.6.2005.

(c) **Treatment of dis-honoured cheques**

The dis-honoured cheques invite criminal actions against the party. In Corporation the tendency of bouncing of cheques is increasing, which needs to be stopped immediately. A timely action under section 138(b) of Negotiable Instrument Act will have a deterrent effect.

Branch Managers should initiate immediate action in such cases and also under section 29 of the SFCs. Act for prime as well as collateral security. Any failure on the part of Branch Manager shall attract disciplinary action.

(d) **Withdrawal of facilities**

The Branch Managers are required to review the rescheduled cases of last two years including roll-over and IRS and in case of two consecutive defaults of principal or interest or both, facilities extended by the Corporation be withdrawn immediately and stringent action for recovery be initiated.

[D] **MONITORING AND INSPECTION**

- (a) Branch Managers will suitably distribute units to the officers posted in the Branch as per directions issued vide circular No. 341 dated 16.4.2005.
- (b) Branch officials to visit assigned units on regular basis as prescribed in the circular No. 341 dated 16th April, 2005 and maintain records in a diary/register. Report of the visit shall be submitted to DGM® concerned.
- (c) DGM® also visit units as per above circular and submit the report to GM(D) at Head Office.
- (d) Branch Managers were directed to send monthly reports in the prescribed format circulated vide circular No. FR No.312 dated 16.8.2004. Now they will ensure that this report is sent within the prescribed time limit starting from the month of April, 2005.
- (e) In order to monitor the recovery position at HO., particularly in bigger size units, monitoring shall be done by the officers as mentioned below:-

[i] Sanctioned amount above Rs.1 crore - ED,GM(D),\ GM(F), GM(L).

- [ii] Sanctioned amount above Rs. 0.5 to 1 crore - DGM[R] and/or equivalent officer deputed for the purpose.

Note: 1. However, all the units falling under the jurisdiction of the Branch will be distributed amongst the officers and staff by the Branch Manager as they were doing in the past.

2. Default Review Committee under the chairmanship of ED shall be held in every two months.

3. Inspection reports shall be submitted to higher authority as prescribed in the circular No. 341 dated 16th April, 2005.

- (f) In order to strengthen monitoring in FR Section at HO, a separate Cell (FR Monitoring) is being created, which will look after the work of allotment of targets, monitoring of recovery, policy, audit, assembly/parliament, PUC/PAC, and other co-ordination work. This Cell shall function under the supervision of a DGM(FR).


(Karni Singh Rathore)

CHAIRMAN & MANAGING DIRECTOR

cc.to:

- (1) All ROs/BOs/SOs.
- (2) A&I(WZ), Ajmer
- (3) All Nodal Officers
- (4) Standard circulation in Head Office