

**RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)**

Ref.No.RFC/FR/23FR/HO/ 1330
Policy-2

Dated: 29.07.06

**CIRCULAR
(FR No. 377)**

**Sub: Scheme for waiver of penal interest in loan cases having
sanctioned amount above Rs. 2.00 lac : 2006-07**

In order to get rid of sticky accounts and reduce NPA portfolio of the Corporation, it has been decided to introduce a scheme for 100% waiver of penal interest in loan cases having sanctioned amount above Rs. 2.00 lac for the year 2006-07 provided loanee clears remaining balance outstanding either in one go or latest by 25.03.07. The salient features of the scheme are given below:-

1. ELIGIBILITY

The cases where loan was sanctioned upto 31.03.2000 and the accounts categorized as "Doubtful" or "Loss" as on 31.03.05 will be eligible.

NOTE :

Transport Loan Cases/ Deficit/decreetal/written off cases will be covered under the prevailing schemes of the Corporation and such cases shall not be considered/registered under the scheme.

2. Salient Features:

- a) This scheme would include all types of cases including industrial units, service units, units under possession of the Corporation and deferred sale cases.
- b) The benefit of waiver of entire penal interest charged in the account would be allowed (irrespective of primary security/collateral security/third party guarantee/net worth of the promoter/guarantors), if the loanee clears remaining balance outstanding either in one go or latest by 25.03.07.

- c) Accounting procedure for waiver and method of calculating of relief for waivment of penal interest shall be in strict adherence to O&M Circular No. 417 dated 07.02.1997.
- d) Waiver of penal interest is limited to interest outstanding as on date of registration of the case. Meaning thereby, principal outstanding plus other money in the books as on date of registration is to be recovered in full and remaining interest outstanding after deduction of penal interest is also to be recovered. Where case under Section 32(G) has been filed with the Collector concerned, 5% recovery charges shall be obtained in addition to the amount recoverable under the scheme.
- e) In all such cases, documented rate of interest is to be charged upto the date of final payment
- f) All such cases are not required to be analysed from the security point of view and the working results of the loanee units requesting for waiver of penal interest under the scheme are also not to be analysed and no proof of closure or working at low capacity is required to be ascertained.
- g) The cases which were earlier registered for settlement but rejected/closed by the competent authority/committee or that were decided but party did not give his consent shall also be registered, if they are otherwise eligible.
- h) In the cases where court case has been filed by the party, that will have to be withdrawn before issue of "No Dues Certificate".

3. CUT-OFF DATE OF REGISTRATION : 31.08.2006

4. REGISTRATION FEE:

The cases will be registered alongwith registration fee of Rs. 1,000/- and upfront amount equivalent to 15% of (principal sum + other money) on the date of registration. The upfront amount shall be adjusted against the amount recoverable.

NOTE:

The registration fee and upfront amount will be deposited in one stroke.

5. COMPETENT AUTHORITY

Competent authority to waive penal interest upto Rs. 5 lac shall be the Branch Manager/In-charge Branch. However, in the cases where sacrifice amount by way of waiver of penal interest is more than Rs. 5 lac shall be forwarded to Head Office for placing them before PC&CC. The PC&CC shall take a decision in such cases.

6. MODE OF PAYMENT

The loanee party is required to pay 50% of recoverable amount (upfront amount included) by **December, 2006. Remaining 50% shall be paid by 25.03.07.**

NOTE: The above can be better understood with an illustrative example as under:-

Principal sum	:	Rs. 10.00 lac
Interest	:	Rs. 20.00 lac
Other Money	:	Rs. 2.00 lac

Total	:	Rs. 32.00 lac

The party deposited Rs. 1.80 lac as upfront amount. Presuming that the quantum of penal interest charged is Rs. 10.00 lac, therefore, in the cited example, party is required to pay further Rs. 9.20 lac[(Rs. 11.00 lac – Rs. 1.80 lac(upfront))]by December, 2006 and remaining 50% i.e. Rs. 11.00 lac by 25.03.07.

7. RESTRICTIVE CLAUSE

- a) The case, where the account has already been squared up shall not be re-opened.
- b) Waiver of penal interest is limited to interest outstanding as on date of registration of the case. Meaning thereby, principal outstanding plus other money in the books as on date of registration is to be recovered in full and remaining

interest outstanding after deduction of penal interest is also to be recovered. Where case under Section 32(G) has been filed with the Collector concerned, 5% recovery charges shall be obtained in addition to the amount recoverable under the scheme.

- c) No refund in any case is to be made if as a result of waiver of penal interest, there works out a credit balance in the loan account of the party.
- d) Effect of waiver of penal interest will be given only after full amount has been recovered.
- e) The cases registered but loanee units did not make requisite payment i.e. 50% of amount recoverable (upfront amount included) upto December, 2006 shall be deregistered and recovery action shall be initiated immediately.
- f) While computing quantum of penal interest for the purpose of waiver, it should be ensured that **penal interest, if any, waived earlier has been taken into account and reduced.**

8. DISCRETIONARY POWERS OF CMD

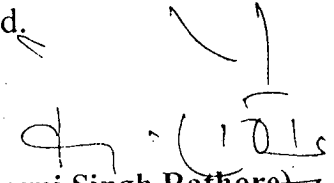
In case of any difficulty in implementation/interpretation of the scheme or any clarification or relaxation is required, CMD's decision will be final. CMD is authorized to allow registration/extension in making payment of recoverable amount beyond the cut off date, if required, depending upon merits of the case.

9. GENERAL

- a) All parties to be contacted personally and concrete efforts should be made in consultation with DGM ®.
- b) The DGM® shall review the branch-wise attainment in Regional Meetings and provide feed back through a special note after every visit, with regard to attainments of each branch.
- c) BM should issue notice showing details of penal interest and recoverable amount to all loanees eligible under the scheme immediately. Where litigation or action under Section 31(1)(aa) or 32(G) is pending, the notice will be issued "without prejudice".

- d) Cases where action under Section 31/32(G) has been initiated, the action may continue and the concerning court/authority may be informed when entire payments have been received and account stands squared up.
- e) Legal notices issued under Section 30 prior to registration of the case will be kept in abeyance till a decision is taken by the competent authority.
- f) Branch Manager while conveying decision to party for deposition of amount shall specifically mention the quantum of upfront amount which has been adjusted against the amount recoverable under the scheme.
- g) The Branch Manager is authorized to approve tour programme for using the services of "B" & "C" class employees in contacting the promoters.
- h) Registered cases shall be decided by BMs within a period of seven days positively.

All concerned are directed to give full publicity to the scheme and ensure that majority of eligible cases in their portfolio are settled.


(Karni Singh Rathore)
Chairman & Managing Director

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