

RAJASTHAN FINANCIAL CORPORATION+

Udyog Bhawan, Tilak Marg, Jaipur-302 005

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CIRCULAR (FR No. 447)

Reg: Recovery Strategy : 2007-08

At the outset the all time high recovery made during the Financial year 2006-07 makes us to believe that the available manpower can make a dent if proper guidance and dynamic leadership is given. Some of the Branches did exceedingly well but some failed to achieve expected results which requires introspection by officers of these branches.

Quality assets have assumed much importance in the last one decade. Once the asset is booked, maintaining the assets quality is of paramount importance. Without quality recovery, the Corporation will not be able to sustain its overheads and conform to the MOU reached amongst State Government, SIDBI and RFC. This year recovery would mean quality recovery in terms of increased interest recovery, preventing deterioration of Standard assets, elevation of sub standard / doubtful accounts and recovery from hard NPA cases.

In order to achieve the object of quality recovery, reduction in NPA and regularizing the already slipped accounts, the recovery strategy for the financial year 2007-08 may include the following:

- i) It may be ensured that in following cases legal action followed by the action u/s 29 of SFCs Act may immediately be taken if there is default of more than two consecutive instalments of principal or interest.
 - a. Commercial complexes
 - b. Cases sanctioned under Assets Financing Scheme
 - c. Sanctions made from 1st April, 2000 and onwards
 - d. Deferred sale cases
 - e. Rescheduled cases
 - f. Hotel and restaurants
 - g. Hospitals and Nursing Homes
 - h. TUF scheme
- ii) Action for recovery of dues should be initiated on the very first default in standard accounts and this may include a letter of warning or pre-intimation of interest falling due in the near future. The list of such defaulting units should be sent by BOs to GM(D) by 10th of every month without fail.
- iii) 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 personally responsible.

- iv) All cases need to be reviewed to find out that accounts are in Standard category in those cases where possession of the assets was handed over to original loanee.
- v) Branch Manager should personally monitor the accounts classified as 'Standard Assets' as on 31.3.07 and ensure that **no account is slipped** from this category. The accounts which were classified as 'Standard' as on 31.3.06 and slipped during the Financial Year 2006-07 should be personally monitored by the BM himself and should ensure that these accounts are upgraded by 30.6.07
- vi) DGM(R) will monitor all the cases of unit having overdue above Rs.5.00 lac, he will personally inspect all such units and will work out the strategy for recovery in such a way that line of action decided is strictly followed and these accounts are regularized by 30.9.07.
- vii) To ensure proper follow-up and recovery of Corporation dues, line of action for each individual loan account should be decided within a month. It will be the responsibility of the Branch to ensure compliance according to the decided line of action.
- viii) Mere allotment of units to officials of branch office is not sufficient. Requisite action **either reschedulement in deserving cases or stringent action in willful default** cases be taken immediately, as per norms. The Branch Manager should critically examine the reports of the team on weekly basis.
- ix) The system of issuing letters to guarantors should be followed strictly for making use of the same for transforming the defaulting accounts to regular accounts through guarantors.
- x) Guidelines have been issued vide FR circular No. 332 dated 18.2.05 that section 31(1)(aa) should be applied as a last resort when there is no chance of recovery by initiation of recovery action u/s 29 / 30 and 32(G). Cases where action u/s 31(1)(aa) has already been initiated and application filed in the court should be reviewed and if recovery can be effected by taking over the possession and sale of primary / collateral security, then application be moved in the court for withdrawal of case filed u/s 31(1)(aa) reserving to file the case again, if required and action for recovery be shifted either to section 30/29 or 32(G). These guidelines should be complied with in strict adherence.
- xi) Guidelines have been issued vide FR circular No. 416 dated 6.12.06 that after expiry of legal notice u/s 30 of SFCs Act, date of take over possession should be fixed giving 15 days time. It should be ensured that notice for takeover of possession is issued within 7 days from the date of expiry of legal notice. These guidelines should be complied with in strict adherence.
- xii) All cases having collateral security should not be allowed to commit default. In the event of having remained failure in making payment of Corporation dues by the loanee party, action for attachment of prime security and collateral security should be taken as a general rule. If it is not considered worthwhile, reasons should be recorded in writing.

- xiii) PDCs should invariably be taken in the following circumstances:
- At the time of reschedulement of loan
 - At the time of withdrawal of legal notice.
 - At the time of handing over possession to the original loanee.
 - In deferred sale cases
 - In cases where settlement amount is accepted in instalments.
- xiv) Wherever wilful default, siphoning off funds, transfer of funds are noticed, these are to be taken up on priority recalling the dues of the Corporation and appropriate action thereof.
- xv) It should be ensured that assets sold through auction are handed over to purchaser party within 30 days from the date of issue of sale letter after completion of requisite formalities. In the case of assets not handed over within the stipulated period on account of failure on the part of purchaser party and BM is of the opinion that no further time should be allowed, sale letter issued may be canceled after giving 15 days time through registered AD letter. The entire amount deposited by purchaser party may be forfeited and unit be put to re-auction by following the guidelines prescribed. Where BM feels that extension in time is required considering problems of purchaser party, he should immediately seek approval from DGM(R) who shall be authorized to give further extension for maximum 30 days.
- xvi) DGMs(R) should review all the cases where sale letters were issued prior to March, 2007 but required formalities are not completed as yet owing to which possession could not be handed over to purchaser party. This is important for the reason that in good number of cases field offices have failed to forfeit the amount deposited by purchaser party and also did not re-auction the unit even after lapse of one year. No case should remain pending after this period.
- xvii) In the cases where no recovery was received during financial year 2006-07, should be reviewed by BM immediately and line of action u/s 30/29/32(G) be taken, depending upon merits of the case. All such cases should be reported to FR section alongwith line of action decided by Branch and schedule of implementation.

xviii) Cases settled under OTS Scheme

If there is default of two consecutive instalments of settlement package, settlement may be treated as withdrawn and action may be taken to revert back to the original repayment schedule. BO will report such cases immediately to FR section. In all such cases, immediate legal action followed by action u/s 29 of SFCs Act, 1951 be taken.

Note:

- Branch Manager should prepare a list of cases by 30.4.07 where there is default of two consecutive instalments of settlement package and ensure legal course of action as mentioned above by 15.5.07. A list of all these cases should be sent to FR section) by 31.5.07 positively in the format enclosed.

- b. DGM(R) should review all the cases that have been settled under various settlement schemes launched for the financial year 2006-07 and cases decided by empowered settlement committees. They should send feedback to GM(D) indicating progress in each case by 15.5.07

xix) Use of Section 32(G)

During the year 2005-06 the Corporation invoked Section 32(G) in a large number of cases. The results have been encouraging. This year also we can bank upon to use of Section 32G and officials of District Administration shall be given incentive of 5% as decided by the Corporation subject to maximum Rs.2 lac in each case. In Branch Manager's Conference held on 31.5.06 and 10.11.06 and in the meeting of Nodal Officers held from time to time it was stressed upon that ROD in all the deficit cases and other eligible cases that can be covered under section 32-G should be filed with the Collector concerned by 31.1.07 positively. If any case is still left out then it should be covered latest by 31.5.07 failing which action against concerned BO will be initiated.

Branch Manager / DGM(R) should review all such cases and ensure action for filing ROD by 31.5.07 in all the deficit cases, bad debt cases, units categorized as loss assets and the other eligible cases where initiation of action u/s 32G has been considered to be prudent. They should send a certificate to GM(D) by 01.06.07 that all eligible cases including all deficit cases have been covered and ROD filed with the Collector concerned.

Note:

- a) DGM(R) should review all the cases where ROD has been filed with the Collector concerned but on account of property identified out of the District but within the State, the District Collector forwarded the case to other District Collector for recovery u/s 32(G). Similarly, he should also review those cases where ROD filed with the Collector concerned but on account of property identified out of the State, the District Collector forwarded the case to other District Collector outside the State of Rajasthan for recovery u/s 32(G).
- b) DGM(R) should send list of all such cases indicating name and address of the units, details of property identified, District Collector with whom the ROD filed, District Collector to whom the case forwarded for recovery u/s 32(G) on account of property having located there, dates on which ROD filed/forwarded etc. to FR section by 31.5.07.

xx) Disposal of assets taken into possession:

If assets taken into possession are not sold timely, it not only delays the recovery but an additional loss is incurred to the Corporation for maintaining them. Therefore, BO should keep in mind before taking over possession of assets. Assets in possession of Corporation should be disposed in timely

manner. No assets should remain undisposed off after six months of taking into possession until and unless there are specific reasons and those reasons should be reviewed by DGM(R) and should be reported to ARRC section at HO.

xxi) Treatment of dishonoured cheques:

The dishonoured cheques invite criminal actions against the party. The tendency of bouncing of cheques is increasing, which needs to be stopped immediately. A timely action u/s 138(B) of Negotiable Instrument Act will have a deterrent effect.

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

xxii) Incentive scheme has been launched for identification of property of promoters / guarantors in deficit / decretal / written off cases. Institutions / societies / individuals / agencies / Gram Panchayat / Nagar Palika etc. may participate in this incentive scheme. Branch Manager / DGM(R) should make wide publicity of the scheme so that maximum results can be achieved.

xxiii) Consequent upon applicability of the provisions of SARFAESI Act, 2002 to the Banks and Financial Institutions. RFC being a financial institution may opt the measures provided u/s 13(4) of the SARFAESI Act, 2002 to recover its dues in the cases where the assets have been classified as NPA as per the prescribed guidelines of RBI and references are pending before BIFR / AAIFR. The BMs should review all the cases where references are pending before BIFR / AAIFR and take further needful action as per provisions of SARFAESI Act, 2002 in order to reduce NPA as directed vide ARRC circular No. 144 dated 31.1.07.

xxiv) Possibility should be explored for settlement out of court in such cases where petty amount is involved in order to reduce the litigations and effect recovery.

xxv) 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 16.4.05.
- b) Branch officials to visit assigned units on regular basis as prescribed in the circular no. 341 dated 16.4.05 and maintain records in a diary / register. Report of the visit shall be submitted to BO and DGM(R) concerned.
- c) DGM(R) should also visit units as per above circular and submit the report to GM(D) at Head Office.

Note:

- i) Default Review Committee under the Chairmanship of ED shall be held in every two months.
- ii) Inspection reports shall be submitted to the higher authority as prescribed in the Circular No. 341 dated 16.4.05.

xxvi) DGM(R) concerned will hold monthly DCRM and minutes to be sent to FR section by **first week of each month**. This meeting may be made effective enabling the Corporation to affect recovery in deficit cases / written off cases / decreetal cases.

xxvii) Decreetal cases:

The decreetal cases may be reviewed by Branch Manager on monthly basis. Cases where application for execution has not yet been filed, property of promoters / guarantors should be identified promptly and execution application be filed by 31.5.07. The cases where execution application has been filed before the Hon'ble Court after identifying properties of promoters / guarantors, earnest efforts should be made in consultation with concerned Advocate in order to garner recovery from decreed cases. DGM(R) should also monitor this activity personally and send casewise position with all details to FR section by 15.5.07.

All concerned are advised to make the compliance of above guidelines.

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(B.N. SHARMA)

CHAIRMAN & MANAGING DIRECTOR

Copy to:

1. All ROs/BOs/SCs
2. DGM(A&I), WZ, Ajmer
3. Standard Circulation at HO.