

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

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CIRCULAR
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Sub: Charging interest in the case of units (primary security) taken into possession u/s 32 (G) and system of ascertaining surplus/deficit/at par in the cases where there is collateral security

The Procedure & Guidelines provide that interest shall not be debited to the loan account of the concern after the date of the unit taken into possession, invoking provisions of Section 29 of SFCs Act, 1951. However, in the cases where the Corporation opts to take legal action u/s 32(G) against primary security and possession thereof is taken-over by the Revenue Authorities under LR Act, charging of interest is not stopped.

Further, in case of sale at par, interest for the possession period is not charged inspite of the fact that collateral security is available and collateral security is also released. However, in case where the unit is sold in surplus, interest for the possession period is charged to the extent of surplus. Likewise in deficit cases where collateral security is available, the deficit is worked out without disposal of collateral security.

In order to remove these anomalies and safeguard the interest of the Corporation, the matter was placed before the PC&CC in its meeting held on 20.9.07 and subsequently in the Board in its meeting held on 28.12.07 in which it has been decided to stop debiting interest from the date of takeover in the cases where possession of primary assets is taken-over u/s 32(G) by the Revenue Authorities so as to have uniformity with the cases in which the possession is taken over u/s 29 of SFCs Act by the Corporation.

It has also been decided that in the cases where collateral security is available, the deficit / surplus / at par will be arrived at after disposal of the collateral security. In case, disposal of the collateral security results into surplus then interest for the possession period will also be charged maximum to the extent of surplus. If party after disposal of primary assets by the Corporation, makes request for release of the collateral security, release will be considered only after the party deposits the interest for the possession period.

Accordingly, relevant provisions of P&G are hereby amended.

All concerned are advised to take a note of above and act accordingly.

(B.N. SHARMA)

CHAIRMAN & MANAGING DIRECTOR

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