

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

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CIRCULAR
(FR-513)

Reg : Recovery Strategy : 2008-09

As a result of all out efforts made by the Corporation in the year 2007-08 we have been able to reduce the NPA level from Rs. 281.23 crores as on 31.03.07 to Rs. 225 crores as on 31.03.08 but we have to go a long way and put strenuous efforts right from beginning of the FY so as to achieve the goal of zero NPAs in a phased manner.

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 with the State Government and SIDBI. 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 and prevention of slippage we need to make strategic efforts in planned manner. As a part of the strategy calendar of FR activities has been issued vide Circular No. FR-507 dated 29.02.08 and it is expected that by now you must have chalked-out your plan of action for FY : 2008-09.

Regular Monitoring and close follow-up is the key for maintaining the assets quality. To achieve the pin-pointed target of quality recovery as well as reduction in NPAs, we need to focus our FR activities mainly on the following basic points:-

1. Prevention of slippage

Prevention is better than cure. All the assisted units in the jurisdiction of the BO should be allotted to the Officers at BO such officers to whom a unit is allotted will be called "Supervisory Officer" and will also perform his duties as a DM/AM(FR) and will be responsible for dealing / processing the FR files. If close and regular monitoring is done then slippages can be avoided. It is possible only when the person, to whom a particular unit has been allotted keeps himself associated with the

promoters of the unit. Before the next due date is reached, he should send intimation in advance about the amount of instalment of interest / principal sum and get the same deposited.

However, there may be cases in which there is a default hence, following action should be taken:-

- (i) It may be ensured that in following cases legal action followed by 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) In Standard accounts, action for recovery of dues should be initiated on the very first default. This may include a letter of warning and 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 8th of every month without fail as per the Circular already issued.
- (iii) In the cases under 'Good Borrower' Scheme, no default to be allowed. Default of even one instalment should draw attention of Branch Manager immediately. In case of inaction, Branch Manager will be held personally responsible.
- (iv) All cases need to be reviewed to ensure that those accounts are in Standard category where possession of the assets was handed over to original loanee.

2. Upgradation from NPA to Standard category

While we have to prevent the slippages in health code, we are also required to up-grade the NPAs to standard category. The key tools for up-gradation are as follows :-

- (i) Clearance of entire overdues by pursuation or by resorting to legal action for recovery.
- (ii) Where it is found that the unit is not in a position to clear entire overdues then action for reschedulement may be taken as per norms after getting cleared entire interest overdues.

3. Settlement of loan accounts under various settlement schemes

Like earlier years, the Corporation has launched various OTS Schemes for the FY 2008-09 for settlement of NPA cases. The BMs should make wide publicity of these schemes and ensure that each and every loanee / guarantor is contacted personally by the officials to whom such units have been allotted and they should explain the benefits under the OTS Schemes and get the eligible cases registered.

4. Visit / Verification of Collateral Securities and calculation of MRV

Instructions already exist that MRV of prime assets as well as collateral security of all standard and NPA accounts having sanctioned amount above Rs. 1.00 lakh will be calculated on yearly basis in the first quarter of the FY so as to complete the task by 31st May of each year.

Besides this, visit / verification of collateral securities is required to be done quarterly which should be complied with strictly.

You are accordingly advised to send the MRV calculations as per the prescribed procedure in all standard and NPA accounts having sanctioned amount above Rs. 1.00 lakh by 31.05.08 positively.

5. Recovery from Deficit / Decreetal & Write off cases

Deficit cases is such a sector where we cannot expect recovery simply by persuasions. We need to adopt an investigative approach for identification of properties, business or profession in which such promoters / guarantors are engaged and also adopt traditional measures of beating drums and distribution of pamphlets etc. so as to compel them to pay the dues or come to the settlement table. This is the sector in which the officials are expected to show their performance by maintaining good liaison with the Revenue Authorities at Distt. level so as to bring desired results.

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 31.05.08. 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 to garner recovery from decreed cases. BM should also monitor this activity personally and send casewise position with all details to DDW Cell by 31.05.08.

6. Disposal of units under possession

If assets taken into possession are not sold promptly, it delays the recovery and also an additional loss is incurred by the Corporation for

maintaining them. Assets in possession of Corporation should be disposed off 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 reported to the DGM (ARRC).

It should be ensured that assets sold through auction are handed over to the purchaser party within 30 days from the date of issue of sale letter after completion of requisite formalities. In the case assets are not handed over within the stipulated period on account of failure on the part of the purchaser party and BM is of the opinion that no further time should be allowed, sale letter issued may be cancelled after giving 15 days time through registered AD letter. The entire amount deposited by purchaser party may be forfeited and unit be put to reauction by following the guidelines prescribed. Where BM feels that extension in time is required considering problems of the purchaser party, he should immediately seek approval from HO.

BMs should review all the cases where sale letters were issued prior to March, 2008 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 reauction the unit even after lapse of one year. No case should remain pending after this period.

7. Stay cases

It has been observed that the cases in which there are stay orders against recovery by different courts are not being closely monitored as a result, stay orders continue for years together. It will be the personal responsibility of the BM and the Incharge (Legal Cell) at BO level as well as OIC to get the stay vacated and send progress to HO.

It has been decided that henceforth all the cases in which recovery involved is more than Rs. 10.00 lakh and stay is in operation for more than three months will be reviewed by the GM(D) on monthly basis with Manager (I/c-Law) and concerned OIC as per Circular No. FR-409 dated 18.03.08.

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

8. 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 the DGM(FR). In all such cases, immediate legal action followed by action u/s 29 of SFCs Act, 1951 be taken.

Note :

- a. Branch Manager should prepare a list of cases by 15.06.08 where there is default of two consecutive instalments of settlement package and ensure that legal course of action as mentioned above is taken by 30.06.08. A list of all these cases should be sent to the DGM (FR) by 30.06.08 positively.
- b. BM should review all the cases that have been settled under various settlement schemes launched for the financial year 2007-08 and cases decided by Empowered Settlement Committees. They should send feedback to GM(D) indicating progress in each case by 15.05.08.

9. PDCs should invariably be taken in the following circumstances

- (i) At the time of reschedulement of loan
- (ii) At the time of withdrawal of legal notice.
- (iii) At the time of handing over possession to the original loanee.
- (iv) In deferred sale cases
- (v) In cases where settlement amount is accepted in instalments

10. 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.

11. Simultaneous action u/s 30/29 against primary security as well as collateral security

It has been observed that while initiating legal action u/s 30/29, action against collateral security is not taken. 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.

12. Cases filed u/s 31(1) (aa)

Guidelines have been issued vide FR Circular No. 332 dated 18.02.05 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 to Section 30/29 and action u/s 29 may be taken against collateral security as well as primary security simultaneously. These guidelines should be complied with in strict adherence.

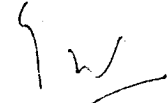
13. Holding FRC/DRC/DCRM

To ensure proper follow-up and recovery of Corporation dues, line of action for each individual loan account should be decided within a month by holding the meetings of Review Committees as per norms and it should be ensured that the line of action decided in each individual case is complied with.

14. Monitoring & Inspection

- a) Branch Managers will suitably distribute units to the officers posted in the Branch as per directions issued vide Circular No. FR-341 dated 16.04.05.
- b) Branch officials to visit assigned units on regular basis as prescribed in the Circular No. FR-341 dated 16.04.05 and maintain records in the prescribed register.
- c) Mere allotment of units to officials of BO is not sufficient. The visit reports submitted by these officials should be critically examined by the BM and line of action should be decided in order to effect the recoveries and NPA reduction.

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


(B.N. SHARMA)

CHAIRMAN & MANAGING DIRECTOR

Copy to :

1. All BOs/SOs.
2. DGM(A&I) Ajmer / Jodhpur.
3. Standard Circulation at HO.