

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

RFC/P&G/224]

Ref.No.RFC/23FR/HO/Policy-28/147

Dated : 29.04.08

CIRCULAR
(FR-515)

Reg : NPA Management - Close follow-up and monitoring of assisted units

The extra ordinary attention paid by the top management of the Corporation to NPA management has played a crucial role in achieving incredible turn around of the Corporation.

Since the introduction of prudential norms on income recognition, asset classification and provisioning, the word "NPA" has become a buzz word. NPA is defined as an advance where payment of interest or repayment of instalment of principal or both remains unpaid for a period of one quarter or more. The NPA not only prevents yielding of income generation but it also requires provisioning norms on the principal amount outstanding. Thus, the profitability of the Corporation is affected in dual way i.e. first the income inflow is stopped and secondly the provisions have to be made in the books which reduces the profit.

Although, NPAs are inevitable to some extent, but they can be kept in manageable limits. They deserve highly focused attention and continuous monitoring. "Nothing in this world needs to be feared ; it only needs to be understood". The same is true even in the case of NPAs.

Timely action is absolutely warranted in dealing with NPAs. Failure to stitch in time can be catastrophic. Preventing is better than repenting. With this object in view, it has been decided that the Officers and staff posted at BOs should be well groomed to have a close follow-up and regular monitoring of assisted units. In order to streamline the procedure, so as to ensure close follow-up and regular monitoring, all the Branch Managers are advised to take following actions :-

- (i) All the assisted units (irrespective of default or no default) including deficit / Decretal /Written off cases and units under possession will be distributed amongst the officers posted in BO(including the BM himself), who will be responsible for all FR activities pertaining to the allotted unit and he will discharge his duties as DM/AM(FR) and FR files of such allotted units will also be dealt / processed by him. He will also be responsible to carry-out the inspections / visits/ identification of properties / verification of collateral securities etc. meaning thereby all the officers posted

in BO will act as DMAM(FR) in addition to their other duties. He will also act as a "Supervisory Officer" for the allotted units.

- (ii) The officer to whom a unit is allotted will ensure that Basic Sheets and Quarterly Status Sheets are prepared / maintained / up-dated as per the provisions contained in P&G (as per para 1.9 to 1.21 and will also ensure Inspection of units as per para 1.22 of Chapter no. FR-1 of P&G read with Circular no. PG/1221 dated 19.02.08).
- (iii) The Supervisory Officer will also maintain a register having basic details about each individual unit allotted to him in the prescribed format (format is enclosed at Annexure 'A').
- (iv) In that prescribed Register he will maintain details about the visits / efforts made from time to time indicating each and every crucial point regarding the status of the unit.
- (v) If any, signal about default is noticed (i.e. like persistent irregularity in accounts, invocation of guarantees, operating losses, rejection of products, some machines lying Idle, decrease in shifts / workers and other regulatory changes etc.) he will report the same to the BM besides making efforts for timely clearance of overdues and BM will also immediately contact the party for clearance of overdues.

The Supervisory Officer will submit his report in the format enclosed herewith at Annexure 'B'.

- (vi) The Supervisory Officer will also be in regular touch with the promoters and keep them aware about the various schemes of the Corporation for further financial assistance as well as OTS Schemes if such an account is eligible for OTS.
- (vii) In case of units under possession, the Supervisory Officer will carry out regular visits of the units and will also pursue the prospective buyers.
- (viii) In case of Deficit / Decreetal / Write off cases the Supervisory officer to whom such cases are allotted will be responsible for identification of properties. They will submit their report in the format enclosed herewith at Annexure 'C'.
- (ix) Thus, said Supervisory Officer will also be responsible if the unit commits default / slip to NPA.
- (x) NPA account allotted to him should be up-graded or he should get the same squared up under OTS or otherwise.

- (xi) The said register will be checked by the BM on monthly basis and will be counter signed after critical examination.
- (xii) The said register will also be checked by the Nodal Officer / Sr. Officers from HO during their visit to the BO (who will review progress of at least 20% of the loan accounts of BO and countersign the Register).
- (xiii) The said Register will be duly authenticated by the BM at the time of opening of the Register by all concerned and if any Officer / Staff is transferred then the said Register will be handedover to the BM / deposited with BO and a mention about this will be made in the LPC. On joining by the new incumbent, the said register will be given to him, who will continue the system.
- (xiv) The general work of FR i.e. Reviews, Returns, FR closing & maintenance of other records etc. will be allotted by the BM to a particular officer in addition to the units being allotted.
- (xv) The performance of every officer will be adjudged on the basis of the achievements made by him in FR work.
- (xvi) The progress will be reviewed by the GM(D) on monthly basis either by visiting the Branches or by conducting the reviews at HO and report will be submitted to the CMD.
- (xvii) The progress will be reviewed by the CMD on quarterly basis.
- (xviii) No change in allotted units to a particular Supervisory officer will be made without prior permission from HO.

All the Branch Managers are advised to allot the assisted units (including Deficit / Decretal / Write off cases) among the officers posted in the BO latest by 02.05.08 and ensure to send the officerwise list alongwith CD to HO so as to reach latest by 03.05.08 positively.

All concerned are accordingly advised to comply the above directions strictly so as to prevent the creation of NPAs and up-gradation of NPAs to standard category.


 (B.N. SHARMA)
CHAIRMAN & MANAGING DIRECTOR

Copy to :

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

**FORMAT OF REGISTER TO BE MAINTAINED BY THE OFFICER TO WHOM
UNIT IS ALLOTTED FOR FR WORK**

1. Name of the unit :
2. Location :
3. Correspondence address :
4. Constitutions :
5. a) Name & Address of the promoters:
(with telephone/Cell Nos.)
b) Name of the Key person / Manager / Munim.
(with telephone/Cell Nos.)
6. Line of product :
7. **Details about financial assistance :**
 - a. Loan sanctioned (with date)
 - b. Amount disbursed
 - c. Date of last disbursement
 - d. Rate of interest
8. Details about Subsidy sanctioned and disbursed
9. Seed Capital disbursed (amount)
10. Date of commencement of Commercial production
11. Details of assistance from other Financial Institutions
12. **Details of grant of charge :**
 - (i) To whom granted
 - (ii) Type of charge
 - (iii) Date of execution of Tripartite Agreement
13. Change in Constitution
14. Repayment Schedule
15. Quantum of one Instalment
16. Details of Reschedulement allowed

1. Details of due and receipts :

<u>Due</u>		<u>Receipt</u>		Action, if not received by 7 th of the due month
	Date	Amount	Date	Amount
Principal				
Interest				

2. Details of visits :

<u>Date of visit</u>	<u>Visit Report submitted on</u>	<u>Action proposed</u>

3. Other critical points, if any :

4. Health Code as on:

5. Details about verification of Collateral Security:
(Indicate date of visit and status)

b. Details about verification of primary assets:
(Indicate date of visit and status)

17. Details about Securities :

- a. Primary Security
- b. Collateral Security

18. Date of takeover of possession

19. MRV (as on _____)

- a. Land (area _____ Sq. Mtr.)
- b. Building (constructed area _____ Sq.ft)
- c. Plant & Machinery
- d. DG Set (Capacity _____)

20. Dues of other Institutions to be borne by the purchaser

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Annexure-B

Name of Branch Office: _____

Date of visit: _____

QUARTERLY INSPECTION REPORT

1. Name of the unit with address:
2. Name of the promoter(s)
With contact address and
Telephone Nos.
3. Product
4. Scheme under which loan sanctioned:
5. Health code :
6. Amount sanctioned with date:
7. a) Amount disbursed
b) Date of last disbursement
8. Position of accounts:

	As on 1.4.	As on date of visit
Not due principal		
Overdue principal		
Interest		
Other money		
Total		

9. Instalment due position during the year:

Amt. of instalment	Due date	Amt. received	Date

10. No. of instalments in default :-
Principal sum
Interest

11. Status of unit: Running/Closed/Abandoned:

12. Production capacity:
a) Installed capacity
b) Capacity utilized.

13. Sale.
a) Year
b) Sale (in physical and financial terms)

14. Whether financed assets are available if missing action taken for restoration:

15. Whether default is genuine or willful:

16. Reasons for default:
a) Financial problems
b) Operational problems
c) Market related problems
d) Problem due to regulatory changes
e) Dispute amongst partners/director

17. Comments of the visiting team in respect of prospects of the unit being converted into NPA and suggestion for its regularization.

Signature of promoter:

Name:

Name

Signature

10. Comments/Line of action decided/proposed by the Branch Manager

Manager/ Dy. Manager (I/c)

Branch Office:
Date of visit :

Annexure-C

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QUARTERLY INSPECTION REPORT FOR DEFICIT/WRITE OFF CASES

1.	Name of the unit		
2.	Name of promoters/partners/directors with present address and contact Nos.		
3.	Name & address of the guarantor		
4.	Complete details of assets offered in security with MRV		
5.	Amount sanctioned	Rs.	
6.	Amount disbursed	Rs.	
5.	Date of possession		
6.	Date of sale & sale consideration:	<u>Date</u>	<u>Amount</u>
7.	Deficit after appropriation of sale proceeds _____:	Principal deficit N.D.P. Interest O.M Total deficit	
8.	Details of amount written off/written back with year.		
9.	Amount recovered since beginning (excluding sale proceeds)		
10.	Details of collateral security along with MRV, if any.		
11.	Action taken for identification of properties and the reasons	Yes/No	
12.	Date of identification of properties		
13.	Nature of properties identified: Residential house/Commercial property/ Agriculture land/Others		
14.	Complete details of properties along with MRV (size of land, area & details of building) with location		
15.	Complete details about promoters/guarantors with their financial position/Net worth and their properties		

16.	Action taken for recovery of deficit amount u/s 32G	
17.	Present status/position of ROD	
18.	Further line of action proposed to effect recovery.	
19.	Whether legal heirs have been identified (in case proprietor, partner, promoter expired)	
20.	Complete details about the legal heirs indicating their address, financial position/net worth and properties available.	

Signature:
(Name & designation of Officer)

Comments/recommendations of BM:

Signature of Branch Manager