

RAJASTHAN FINANCIAL CORPORATION
(F&R SECTION)

No. RFC/23FR/HO/Policy-102 3989

Dated : 17.04.2008

CIRCULAR
(FR No. 516)

Sub : **Scheme for settlement of deficit cases / decreetal cases / written off cases - 2008-09**

The Corporation has large number of NPAs where a substantial amount is also involved in the category of deficit, decreetal and written off cases.

Endeavour of the Corporation is to recover maximum amount from this sector, from where recovery is a remote possibility.

In order to reduce the NPAs and get rid off sticky accounts and also to effect recovery from deficit/decreetal/write off cases, the Corporation has been introducing settlement scheme from time to time, but it has been observed that the results are not encouraging and far away from the expectations.

It has therefore been decided that settlement scheme for deficit, decreetal and written off cases launched in the yester years may be liberalized so as to settle maximum number of cases and effect recovery during the year 2008-09.

The salient features of the scheme are given below:

1. **Duration of the scheme:**

The scheme shall be operative from 1.5.2008 to 31.03.2009.

2. **Eligibility:**

- a) All deficit cases, written off cases and decreetal cases.
- b) Cases earlier registered but rejected/ closed by the competent committee.
- c) Cases settled before 1.4.07 but party did not deposit the settled amount.
- d) Deficit in seed capital account shall also be eligible for settlement under the scheme.

Note: All cases decided on or after 1.4.07 by the settlement committee and party consented to the settlement but payment could not be made as per schedule and now the party intends to get the case revived, then, case can be revived by BM by charging interest @ 16% p.a. on simple basis on balance unpaid amount of settlement

3. Registration of case & fees payable:

i) Registration fee shall be Rs.1000/-, irrespective of nature of the case / amount involved. All the cases shall be registered at Branch level.

ii) Upfront amount:

10% of principal deficit amount / decreetal amount / written off amount shall be payable by the party at the time of registration of the case.

Note:

The "Decreetal amount" wherever is appearing shall mean the amount that has been defined vide FR circular No. 491 dated 3.1.08.

4(A). <u>Norms for Settlement for Deficit / Written off cases irrespective of sacrifice amount:</u>			
		Settlement amount	
		Deficit cases	Written off cases
i)	Where security available is upto two times of principal deficit amount / written off amount	On principal component of deficit amount plus other money plus 5% recovery charges where 32(G) case has been filed with the Collector concerned.	On written off amount plus other money plus 5% recovery charges where 32(G) case has been filed with the Collector concerned
ii)	Where security available is more than 200% of principal deficit amount / written off amount in the cases involving principal deficit amount / written off amount upto Rs.1.00 lac	On principal component of deficit amount plus other money plus 5% recovery charges where 32(G) case has been filed with the Collector concerned.	On written off amount plus other money plus 5% recovery charges where 32(G) case has been filed with the Collector concerned
iii)	Where security available is more than 200% of principal deficit amount / written off amount in the cases involving principal deficit amount / written off amount more than Rs.1.00 lac	Such cases will be placed before Special HOLC for taking decision for settlement.	Such cases will be placed before Special HOLC for taking <u>decision</u> for settlement

Note: The amount deposited by the party after written off / written back shall be adjusted against the settlement amount.

4(B) Norms for settlement of Decreetal case irrespective of sacrifice amount:
Decreetal (other than deficit) cases:

The cases where loan disbursed amount is upto Rs.1.00 lac, the settlement (irrespective of any security available) shall be on decreetal amount plus other money, if any, without charging interest for the period from filing the suit in the competent court.

In the cases where loan disbursed amount is above Rs.1.00 lac, the settlement can be considered based upon the security available and its marketability. The value of security can be discounted to 75% and cases can be settled on decretal amount that has been arrived at in terms of FR Circular No. 406 dated 09.10.2006 or upto the extent of 75% of security available whichever is less but no case is to be settled below the decretal amount plus other money, if any without charging interest for the period from filing the suit in the competent court.

Deficit – decretal cases:

(*) In the cases where prime assets have already been sold and no collateral security is available and financial position of the promoters / guarantors is very poor, settlement can be considered on the principal component of deficit amount plus other money plus 5% recovery charges where case u/s 32(G) has been filed with the Collector concerned.

Note:

In any case, settlement shall not be done below the principal and other money outstanding on the date of settlement. However, the amount deposited by the party after filing application u/s 31(1)(aa) for decree before the competent court, shall be adjusted against the settlement amount.

5. i) <u>Competent Authority to decide the cases of deficit / written off:</u>			
Sl. No.	Where Principal Deficit / Written off amount is	Where security available is upto 200% of principal deficit / written off amount	Where security available is more than 200% of principal Deficit / Written off amount
1.	Upto Rs.1.00 lac	Branch Manager	Branch Manager
2.	More than Rs.1.00 lac upto Rs.10.00 lac	Branch Manager	Spl HOLC
3.	More than Rs. 10.00 lac upto Rs.50.00 lac	Branch Manager	Spl HOLC
4.	More than Rs. 50.00 lac	Branch Manager	Spl HOLC
ii) In Decretal cases, Branch Manager shall be the competent authority to take a decision irrespective of amount involved.			

6. SECURITY:

Criteria for calculation of value of primary assets / collateral security:

While deciding the case by the competent authority as per powers delegated, if primary assets are available then latest MRV shall be calculated as per existing guidelines. As far as value of collateral security is concerned, it shall be taken at present market rates.

Note: This is to clarify that while settling such cases, third party personal guarantee shall not be taken into account.

7. Payment by party:

Party may deposit whole settled amount in one go or the party may opt to make payment of settlement amount in not more than 12 monthly instalments from the date of settlement. Interest @ 13% p.a. shall be payable on the unpaid amount from 1st day of next month falling from the date of settlement.

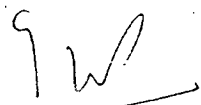
8. Strategy:

- i) Branch Manager shall ensure that all eligible cases are identified and distributed among the officials of the Branch for proper follow up.
- ii) Branch Manager shall issue notice to all eligible loanees for settlement. However, where litigation u/s 31(1)(aa) or 32G is pending, the notice will be issued without prejudice to the court cases.

9. Appeal:

- i) Appeal against the decision of Branch Manager can be made to Special HOLC and against the decision of Spl HOLC to SLC within 30 days of the date of conveying decision to the party by depositing upfront amount equivalent to 10% of principal deficit amount / decretal amount / written off amount and registration fees Rs.5,000/- Beyond this period no case shall be entertained as an appeal by the field offices without prior approval of CMD.
 - ii) Appeal in cases decided by Special HOLC may be made to SLC but no second appeal will be allowed in those cases which have been decided by Special HOLC as appeal cases.
10. In case of any difficulty in implementation / interpretation of the scheme or any clarification / relaxation is required, CMD's decision will be final. CMD is authorized to allow registration / extension in making payment of settlement amount beyond the cut-off date, if required, depending upon merits of the case.

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


(B.N. Sharma)

Chairman & Managing Director

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