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**RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)**

Ref.No.RFC/23FR/HO/Policy-2/183

Dated: 22.04.09
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**CIRCULAR
(FR No.566)**

**Reg: Scheme for Waiver of Penal Interest in Loan cases having
sanctioned amount above Rs. 2.00 lakh : 2009-10**

In order to get rid of small and sticky accounts and reduce NPA portfolio of the Corporation, Scheme for Waiver of Penal Interest in Loan cases having sanctioned amount above Rs. 2.00 lakh was launched for the FY 2008-09. The progress made has been reviewed and it has been observed that still a big number of such eligible accounts remained unsettled.

It has, therefore, been decided to re-introduce the scheme; on the lines of earlier scheme; for waiver of penal interest in loan cases having sanctioned amount above Rs. 2.00 lakh for the year 2009-10. The salient features of the scheme are given below:-

1. ELIGIBILITY

The cases where loan was sanctioned upto 31.03.2001 and the accounts categorized as "Doubtful" or "Loss" as on 31.03.06 will be eligible.

NOTE :

Transport loan cases / Deficit / Decretal / Written off cases will be covered under the prevailing schemes of the Corporation and such cases shall not be considered / registered under the scheme.

2. SALIENT FEATURES:

- a) This scheme would include all types of cases including industrial units, service units and the units which are in possession of the Corporation and deferred sale cases.
- b) The benefit of waiver of entire penal interest charged in the account would be allowed (irrespective of primary security/collateral security/third party guarantee/net worth of the promoter/guarantors), if the loanee clears remaining balance outstanding either in one go or latest by 31.01.2010.

- c) Accounting procedure for waiver and method of calculation of relief for waivment of penal interest shall be in strict adherence to O&M Circular No. 417 dated 07.02.1997.
- d) Waiver of penal interest is limited to interest outstanding as on date of registration of the case. Meaning thereby, principal outstanding plus other money in the books as on date of registration is to be recovered in full and remaining interest outstanding after deduction of penal interest is also to be recovered. Where case under Section 32(G) has been filed with the Collector concerned, 5% recovery charges shall be obtained in addition to the amount recoverable under the scheme.
- e) In all such cases, documented rate of interest is to be charged upto the date of final payment.
- f) All such cases are not required to be analysed from the security point of view and the working results of the loanee units requesting for waiver of penal interest under the scheme are also not to be analysed and no proof of closure or working at low capacity is required to be ascertained.
- g) There is no bar for registration of cases under the scheme which were earlier closed / rejected by competent authority / empowered settlement committee(s), if these are otherwise eligible. However, the cases which were earlier settled by Empowered Settlement Committee(s) / competent authority (except under the scheme for waiver of penal interest: 2006-07, 2007-08 and 2008-09) with the consent of loanee shall not be registered afresh under the scheme.
- h) In the cases where court case has been filed by the party, that will have to be withdrawn before issue of "No Dues Certificate".

3. **CUT-OFF DATE OF REGISTRATION** : 01.05.09 to 30.09.2009

4. **REGISTRATION FEE**

The cases will be registered alongwith registration fee of Rs. 1,000/- and upfront amount equivalent to 15% of (principal sum + other money) on the date of registration. The upfront amount shall be adjusted against the amount recoverable.

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NOTE:

The registration fee and upfront amount will be deposited in one stroke.

5. COMPETENT AUTHORITY

Competent authority to waive penal interest upto Rs. 5 lac shall be the Branch Incharge. However, in the cases where sacrifice amount by way of waiver of penal interest is more than Rs. 5 lac shall be forwarded to Head Office for placing them before PC&CC. The PC&CC shall take a decision in such cases.

6. MODE OF PAYMENT

The loanee party is required to pay 50% of recoverable amount (upfront amount included) by 31st December, 2009. Remaining 50% plus interest shall be paid by 31.01.2010.

NOTE:

The above can be better understood with an illustrative example as under:-

Principal sum	:	Rs. 10.00 lakh
Interest	:	Rs. 20.00 lakh
Other Money	:	<u>Rs. 2.00 lakh</u>
Total	:	<u>Rs. 32.00 lakh</u>

The party deposited Rs. 1.80 lac as upfront amount. Presuming that the quantum of penal interest charged is Rs. 10.00 lac, therefore, in the cited example, party is required to pay further Rs. 9.20 lakh (Rs. 11.00 lakh – Rs. 1.80 lakh(upfront)) by 31st December, 2009 and remaining 50% i.e. Rs. 11.00 lakh plus interest by 31.01.2010 alongwith documented rate of interest.

7. RESTRICTIVE CLAUSE

- a) The case, where the account has already squared up shall not be re-opened.
- b) Waiver of penal interest is limited to interest outstanding as on date of registration of the case. Meaning thereby, principal outstanding plus other money in the books as on date of registration is to be recovered in full and remaining interest outstanding after deduction of penal interest is also to be recovered. Where case under Section 32(G) has been filed

with the Collector concerned, 5% recovery charges shall be obtained in addition to the amount recoverable under the scheme.

- c) No refund in any case is to be made if as a result of waiver of penal interest, there works out a credit balance in the loan account of the party.
- d) Effect of waiver of penal interest will be given only after full amount has been recovered.
- e) The cases registered but loanee units did not make requisite payment i.e. 50% of amount recoverable (upfront amount included) upto 31st December, 2009 shall be deregistered.
- f) While computing quantum of penal interest for the purpose of waiver, it should be ensured that **penal interest, if any, waived earlier has been taken into account and reduced.**

8. DISCRETIONARY POWERS OF CMD

In case of any difficulty in implementation/interpretation of the scheme or any clarification or relaxation is required, CMD's decision will be final. CMD is authorized to allow registration/extension in making payment of recoverable amount beyond the cut off date, if required, depending upon merits of the case.

9. GENERAL

- a) All parties to be contacted personally and concrete efforts should be made by Branch Incharge. Branch Incharge to make aware to all eligible units about the scheme.
- b) The Nodal Officer shall review the attainment made by the concerned Branch on monthly basis and provide feedback to FR section at HO.
- c) Branch Incharge should issue notice to all loanees eligible under the scheme. Where litigation or action under Section 31(1)(aa) or 32(G) is pending, the notice will be issued "without prejudice".
- d) Cases where action under Section 31/32(G) has been initiated, the action may continue and the concerning court / authority may be informed when entire payments have been received and account stands squared up.
- e) Branch Incharge while conveying decision to party for deposition of amount shall specifically mention the quantum of upfront amount which has been adjusted against the amount recoverable under the scheme.

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- f) The Branch Incharge is authorized to approve tour programme for using the services of "B" & "C" class employees in contacting the promoters.
 - g) Registered cases shall be decided by Branch Incharge within a period of seven days positively.

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


(ATUL KUMAR GARG)
CHAIRMAN & MANAGING DIRECTOR

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- 1. All BOs / SOs.
- 2. DGM(A&I) Ajmer / Jodhpur
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