

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

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CIRCULAR
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Reg : Recovery Strategy : 2010-11

Year 2009-2010 was tumultuous, as recession had engulfed the national economy. Industrial activity had slowed down. Real estate also bore the brunt. Despite all odds, Corporation was able to maintain its key parameters going on including recovery, such that we are able to recover higher interest over the last year which contributes to our income (tentative figure – Rs. 308.12 lac higher over the previous year).

Year 2010-2011 is going to be a year of consolidation and growth where our emphasis would be on real estate sector having an exposure of Rs. 300.00 crores. During the year in hand, we on one hand would not only like to contain but reduce NPA level and on the other branches will be geared-up to approach each and every defaulter, take appropriate legal action and minimal correspondence with HO. Norms and procedures are well laid. Action is wanted. Habit of making references hinders recovery and shifts responsibility. Thus in first quarter itself, Branches will be required to review and decide the line of action in each case.

During the year 2009-2010, the Corporation sanctioned Rs. 437.00 crores and disbursed Rs. 296.00 crores. Endeavour will be that no standard account may slip to lower category and the account of sub-standard category and doubtful as well be upgraded.

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 a planned manner by Regular Monitoring and Close Follow-up of assisted units which is the key of maintaining the assets quality.

Accordingly, as a part of recovery strategy for the FY : 2010-11 all concerned are advised to take the following actions:-

1. REVIEW & DECIDE LINE OF ACTION IN EACH AND EVERY CASE OF DEFAULT:

The Branch Manager should review each and every case irrespective of the loan, being small or big. This exercise should be in relation to the line of action decided earlier and compliance thereof in relation to the commitments made in the last financial year and adherence. Future course of action should be decided so as to effect recoveries in the current year. Regular follow-up action should be taken during the year as per the line of action decided.

2. PREVENTION OF SLIPPAGE:

Prevention is better than cure. As per the new monitoring mechanism contained in Circular no. P&G-1224 (FR-515) dated 29.04.08 all the assisted units in the jurisdiction of the BO have been allotted to the Officers at BO who are acting as "Supervisory Officers" and also performing their duties as a DM/AM(FR) and are 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 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.
- (iii) In the cases under 'Good Borrower' Scheme, no default should 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 remain in Standard category where possession of the assets was handed over back to the original loanee.

3. 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 persuasion 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.

4. SETTLEMENT OF LOAN ACCOUNTS UNDER VARIOUS SETTLEMENT SCHEMES:

Like earlier years, the Corporation may come-up with various OTS Schemes for the FY 2010-11 for settlement of age old sticky accounts in order to reduce NPA level. 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.

5. 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.

Besides this, visit / verification of collateral securities is required to be done quarterly so as to ascertain whether the assets are intact or they have been diluted. This system 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 30.06.10 positively to the GM(D).

6. RECOVERY FROM DEFICIT / DECREE TAL & WRITE OFF CASES :

Deficit 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 other 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 make extra ordinary efforts. Pro-active efforts are required to locate the properties of the promoters as well as guarantors. For this, efforts are required to study files and generate information regarding whereabouts of the promoters and guarantors and their properties and all information relating to promoters / guarantors / relatives / sister concerns / bankers etc. should be collected. The officers of Branch Office should 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 30.06.10. 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 the DGM (DDW) by 30.06.10.

7. REVIEW OF THE CASES PENDING WITH THE REVENUE AUTHORITIES :

Merely filing RODs cannot yield results. It requires continuous follow-up and persuasion by the BO with the concerned Revenue Authorities. The Branch Manager should review each and every case in which ROD has been sent to the Revenue Authorities and ascertain the stage of action (i.e. issuance of notice under LR Act, attachment of the properties and conducting auction of the same) and ensure to follow-up regularly. Monthly meetings of the Revenue Officers conducted by the District Collector should invariably be attended by the Branch Manager himself alongwith a Tehsil-wise list of cases pending with the Revenue Authorities. It should be ensured that details of properties of the defaulters are made available to the Revenue Authorities.

8. DISPOSAL OF UNITS UNDER POSSESSION:

If assets taken into possession are not sold promptly, it delays the recovery and also causes an additional loss to the Corporation for maintaining them. Assets in possession of Corporation should be disposed off in a timely manner. As soon as possession is taken over complete details of the case required for NIT alongwith site plan and MRV should be sent to DGM(ARRC) within 15 days of the date of take over of possession positively. Pro-active efforts are required to be made for locating suitable buyers for units under possession so as to ensure their disposal quickly at the competitive prices. No assets should remain un-disposed 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).

Visits and detailed periodical inspections of the units under possession should be carried-out in order to ensure effective watch and ward.

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 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 re-auction by following the prescribed guidelines. 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 upto 31st March, 2010 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 re-auction the unit even after lapse of one year. No case should remain pending after this period.

9. 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.

10. CASES SETTLED UNDER OTS SCHEMES:

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

Note :

- a. Branch Manager should prepare a list of cases by 15.05.10 where there is default of two consecutive instalments of settlement package and ensure that legal course of action as mentioned above is taken by 31.05.2010. A list of all these cases should be sent to the concerned DGM (FR) by 07.06.10 positively.
- b. BM should review all the cases that have been settled under various settlement schemes launched for the financial year 2009-10 and cases decided by Empowered Settlement Committees. They should send feedback to GM (D) indicating progress in each case by 15.05.10.

11. **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

12. **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 curbed.

A timely action u/s 138(b) of the Negotiable Instruments Act has deterrent effect. To curb the increasing tendency of bouncing of cheques, the BOs are advised to take the following actions :-

1. The BMs / Supervisory Officers / Cashier should adopt a pro-active approach to get the PDCs cleared in time. It may be ensured by having constant and regular follow-up with the loanees.
2. PDCs are to be presented on due dates without any fail. If not daily, weekly reconciliation with bank statement is a must.
3. In case any cheque is dishonoured then immediate action to issue notice / initiating criminal action under Negotiable Instruments Act i.e. filing complaint within the stipulated time frame in the competent court should be taken in terms of Circular no. O&M/428 dated 02.07.1997, O&M/640 dated 27.12.05, O&M/650 dated 24.07.06 & O&M/656 dated 04.12.06.

For any laxity on part of the concerned Branch Manager / Supervisory Officer / Cashier disciplinary action will be initiated.

Branch Managers should initiate immediate action in such cases and also u/s 29 of SFCs Act for prime. Any failure on the part of Branch Manager shall attract disciplinary action.

13. **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 where 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 the right 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. These guidelines should be complied with strictly.

14 CASES HAVING PRIMARY SECURITY BUT LEGAL ACTION HAS BEEN INITIATED U/S 32(G) :

Legal action u/s 29 is the most effective enforcement right available under SFCs Act. It has been observed that in some cases action u/s 32(G) has been initiated even against primary security. The Branch Manager should review such cases in the month of April itself and may consider to shift the action from 32(G) to 29 unless there are convincing reasons to continue u/s 32(G).

15 HOLDING FRC / DRC / DCRM :

The meetings of FRC / DRC / DCRM should be monthly conducted and cases should be reviewed in reference to the line of action decided and subsequent follow-up should be ensured to effect the recoveries.

16 MONITORING & INSPECTION :

- a) Branch officials should visit assigned units on regular basis as prescribed in the Circular No. PG 1221 (FR-498) dated 13/19.02.08 and maintain records in the prescribed register.
- b) 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.
- c) Branch-wise monitoring of Inspections of assisted units carried-out by the officials of Branch will be done by the concerned DGM(FR) at HQ.

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


(G.S. SANDHU)

CHAIRMAN & MANAGING DIRECTOR

Copy to :

1. All BOs/SOs.
2. DGM(A&I) Ajmer / Jodhpur.
3. Nodal Officers
4. Standard Circulation at HQ.