

RAJASTHAN FINANCIAL CORPORATION

Udyog Bhawan, Tilak Marg, Jaipur -302 005
(RRM DIVISION)

Ref. No. RFC/23FR/HO/Policy-28/ 877

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CIRCULAR
(FR - 739)

Reg : Recovery Strategy & Risk Management Policy : 2015-16

As prevention is better than cure, it is easier to arrest the slippages rather than up-gradation of NPAs. While the detailed modalities of FR activities have been prescribed in the P&G and also in the circulars/ instructions issued from time to time, it would be appreciated if all the BMs function in a systematic manner adhering to the norms laid and also as the Corporation has developed an easily accessible software where the status of account of any borrower any time can be accessed, it is not difficult to contain the downward slippage of any account.

In order to achieve the object of quality recovery, reduction in NPAs, 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 for maintaining the assets quality.

In this direction, as a part of recovery strategy for the Financial year : 2015-16, 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 completed by the Branch Manager latest by 31.05.2015 and it should be ensured that line of action is decided in each and every case and regular follow-up action is taken during the year as per the line of action decided where the official of BO to whom the unit is allotted, acts as "Supervisory Officer".

2. PREVENTION OF SLIPPAGE:

As per the new software adopted by the Corpn., the status of any account can be reviewed any time by following the new monitoring mechanism contained in Circular No.P&G-1224 (FR-515) dated 29.04.08. The slippage can be watched and further line of action to prevent its slippage can be decided. The person to whom the unit is allotted must keep himself associated with the promoters of the unit to avoid slippage. He should send intimation in advance about the amount of instalment of interest / principal sum and get the same deposited.

However, even on regular follow up there may be chances of default, hence to prevent the slippage, following action should be taken:-

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- (i) Standard accounts:- Action for recovery of dues should be initiated on the very first default. List of such defaulting units should be sent by BOs to GM(Operations) by 8th of every month without fail.
- (ii) Cases of Good Borrowers:- No default should be allowed. Default of even one instalment should draw the attention of Branch Manager immediately. In case of inaction, Branch Manager will be held personally responsible.
- (iii) 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) CRE Sector cases
 - b) Cases sanctioned under Financing Against Assets 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
- (iv) All cases need to be reviewed to ensure that the accounts remain in Standard category where possession of the assets was handed over back to the original loanee.

3. **UPGRADATION FROM LOWER TO HIGHER HEALTH CODE 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.

It should be ensured that the NPA level is brought down as per the "Vision Plan for Reduction of NPAs" (Circular no. FR-605 dated 14.05.2010).

4. **PREFERENTIAL TREATMENT TO PAYERS :**

Corporation has been treating all cases at par so far. It is made clear that coercive action i.e. u/s 29 be quickly taken in those cases where the borrower has not even paid interest fallen due in the year 2014-15 while in other cases where interest was paid in last year may be treated liberally in case of default of principal amount.

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5. SETTLEMENT OF LOAN ACCOUNTS UNDER DEEMED SETTLEMENT SCHEME:

The Corporation has announced a non-discretionary and non-discriminatory deemed settlement scheme during 2012-13. The performance of the scheme during 2014-15 has not been encouraging. Therefore, the BMs should make wide publicity of the scheme 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 Scheme and get the eligible cases registered.

6. VISIT / VERIFICATION OF COLLATERAL SECURITIES AND CALCULATION OF MRV:

BMs are advised to send MRV calculations as per the prescribed procedure and instructions circulated vide circular No.FR-723 dated 24.04.14 in all standard and NPA accounts having sanctioned/disbursed amount above Rs.2.00 lakh by 15.05.2015 positively to the DGMs(Op) and the register, as prescribed vide circular No.FR-684 dated 29.02.2012, should be updated. The DGMs (Op) will submit the consolidated statement to the GM(Ops) by 15.05.2015. The MRV may also be updated on the software.

Besides this, visit / verification of collateral securities is required to be done quarterly so as to ascertain whether the assets are intact or have been diluted. This system should be complied with strictly.

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

Deficit is such a sector where we cannot expect recovery simply by persuasion. In this sector, the officials are expected to make pro-active efforts and need to adopt an investigative approach for identification of properties, business or profession in which such promoters / guarantors are engaged, so as to compel them to pay the dues or come to the settlement table. For this, efforts are required to study files and generate information regarding whereabouts of the promoters and guarantors and their properties should be collected. Wherever required use of RTI Act for identification of properties / correct whereabouts of defaulters/guarantors/legal heirs may be made (FR-635 dated 28.09.10). 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 also 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 30.06.15. 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 case-wise position with all details to the DGMs (Op) by 30.06.15. The DGMs (Op) will submit the consolidated statement to the GM(Ops) by 15.07.2015.

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8. 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. The Branch Office shall send an authenticated list of RoDs pending with Revenue authorities duly countersigned by the Revenue Officer to their DGM (Operation)

Guidelines for follow up of the RoDs have further been issued vide circular No.FR-733 dated 24.02.2015 and the ;BMs/DGM (Ops) should ensure to comply with the same.

The DGMs (Op) while visiting the BOs, will also contact the District Collector for follow up action in the cases pending with revenue authorities.

9. DISPOSAL OF UNITS UNDER POSSESSION:

Total 46 units are under possession as on 31.03.15 involving a sum of Rs.35.11 crore (approx.) as principal sum and OM in which 32 units are more than 5 years old due to litigation etc. To minimize the overhead expenses being incurred by the Corpn. for watch and ward and advertisement of these units the assets in possession should be disposed off in a timely manner. Pro-active efforts are required to be made either for disposing of the unit in original hands out of court in litigation cases or pursuing the Counsel of the Corpn. by the OICs for early disposal of the court cases and also for locating suitable buyers for units under possession so as to ensure their quick disposal at competitive prices. It should be ensured by the BMs/DGM (Ops) that no assets remain indisposed of after six months of taking them into possession, until and unless there are specific reasons and those reasons should be reported to the GM (Ops) besides DGM (RRMD).

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

It should be ensured that assets sold through auction are handed over to the purchaser party within the stipulated time as per norms. In case assets are not handed over within the stipulated period on account of failure on the part of the purchaser party and if BM is of the opinion that no further time should be allowed, the sale 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.

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BM/DGMs(Op) should review all the cases where sale letters were issued and in some of the cases the loan accounts settled by Empowered Settlement Committees upto 31.03.2015 but required formalities are not completed/ settlement amount has not been paid as yet owing to which possession could not be handed over to purchaser/original borrower. 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 such case should remain pending after this period.

10. STAY CASES:

It has been observed that the cases in which stay orders have been granted by different Courts against recovery 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 In-charge (Legal Cell) at BO level as well as OIC to get the stay vacated and send the progress to HO.

It has been decided that henceforth all cases in which the process of recovery is stalled due to stay being in operation for more than three months will be reviewed by the GM (Ops) on monthly basis with Dy.Gen.Manager (Law), concerned DGMs (Operation) and concerned OIC and progress shall be put up to ED/MD for further action on monthly basis latest by 10th of next/every month.

11. CASES SETTLED UNDER OTS SCHEMES:

If there is default of two consecutive instalments of settlement package/ settlement during the year 2014-15 may be reviewed by DGM (Ops) and action may be taken to revert back to the original repayment schedule. DGM (Ops) will report such cases immediately to the concerned GM (Operation). In all such cases, immediate legal action followed by action u/s 29/32G of SFCs Act, 1951 should be taken.

Note : Branch Manager should prepare a list of such cases by 20.05.15 where there is default of two consecutive instalments of settlement package and ensure that legal course of action as mentioned above is taken by 31.05.15. A list of all these cases should be sent to the concerned DGM (Operation) by 31.05.15 positively, who will send the compiled position to GM(Ops).

12. PDCs SHOULD INVARIABLY BE TAKEN IN 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 the cases where settlement amount is accepted in instalments

13. TIMELY PRESENTATION OF CHEQUES AND TREATMENT OF DISHONoured CHEQUES:

Directions already exist and are also being reiterated from time to time to present all the cheques on due dates. All BMs are advised to ensure compliance of the same strictly.

The dishonoured cheques invite criminal actions against the party. The tendency of bouncing of cheques is increasing, which needs to be curbed. 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 and inform the borrower one week before the due date of PDC so that the borrower may arrange funds and the cheque is cleared on due date.
2. If not daily, weekly reconciliation with bank statement is must.
3. In case any cheque is dishonoured then immediate action u/s 138(b) of N.I.Act 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 the existing guidelines already issued vide Circular No. O&M 428 dated 02.07.97, O&M 640 dated 27.12.05, O&M 650 dated 24.07.06, O&M 656 dated 04.12.06 and no. 683 dated 23.02.12.
4. In the cases where the party is facing genuine problem, the cheques would be presented on due date. However, for taking further action the BM would send the matter along with his recommendations to the concerned DGMs (Operation) and action for lodging complaint u/s 138(b) of N.I.Act would be initiated only after decision from HO as per guidelines already issued vide Circular No. FR 683 dated 23.02.12.

Even after initiation of filing of complaint u/s 138(b), the Branch Managers should initiate immediate action u/s 29 of SFCs Act for prime security as per norms. Any failure on the part of Branch Manager shall attract disciplinary action.

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

14. CASES FILED U/S 31(1)(aa):

Guidelines have already been issued that Section 31(1) (aa) should be applied to only 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 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 30/29/32G.

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

Legal action u/s 29 is the most effective and enforcementable 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

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all such cases and may consider to shift action from 32(G) to 29 unless there are convincing reasons to continue action u/s 32(G).

16. HOLDING DEFAULT REVIEW COMMITTEE:

The meetings of Default Review Committees (DRCs) should regularly be conducted as per the prescribed mechanism and cases should be reviewed in reference to the line of action decided and subsequent follow-up should be ensured to effect the recoveries.

17. 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) DGMs (Operation) may ensure that branch officials visit the assigned unit and also submit their reports. During their visit, they may review the progress and also check and countersign the Inspection Register being maintained.

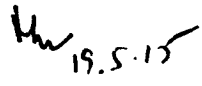
18. ISSUE OF NO DUES CERTIFICATE AND RELEASE OF CHARGE :

The Branch Managers must ensure that the action for issue of No Dues Certificates and / or release of original documents / charge is completed within 15 days of closure of loan account. List of cases which remain pending after 15 days must reach Head Office by the 3rd of the following month. Needless to mention that any laxity on this account would be viewed adversely as per circular No. FR-295 dated 29th Jan., 2004.

19. INSURANCE OF ASSETS:

Provision/instructions existing in PG (Chapter FR-8) for insurance of assisted units, are to be strictly complied with.

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


(Maneesh Chauhan)
MANAGING DIRECTOR

Copy to:

- 1. All BOs/FCs
- 2. Standard circulation at HO.