

RAJASTHAN FINANCIAL CORPORATION
(ARRC)

No.ARRC/Deficit/Gen. / 1347

Dated : 23.10.2002

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CIRCULAR
(ARRC No. 56)

Reg : Scheme for settlement of deficit/loss assets and written off cases

The portfolio of loss assets and written off cases of the Corporation is quite large and it is increasing year after year. Though efforts are being made to effect recovery from these sectors by following usual legal procedures like filing suits/cases within the provisions contained in SFCs Act against the promoters/guarantors, etc. but the experience has shown that on account of lengthy and complicated procedures, these measures become less productive and at times, it is not cost effective particularly for smaller loans.

2. The matter has been examined in depth and the Board of Directors, in its meeting held on 19th October, 2002 has approved the Scheme for Settlement of Deficit/Loss Assets and Written-off cases so as to not only effect recovery from these lost cases but also generate net income of the Corporation on account of amount having already been written off or 100% provisions already made. The salient features of the scheme are given at Annexure 'A'.

3. This is a one time settlement scheme for deficit cases, classified as loss assets and cases already written off/written back as bad debt in the past. **Such cases upto 31.3.2002 only are to be taken up for settlement.**

4. Since the scheme is to be operated at the field level, the Branch Managers are enjoined upon not only to contact such loanees individually and by sending communication in writing but also to persuade them to settle their accounts and get their security released/discharged. The Branch Managers are advised to take following action:

- i) Send a copy of the scheme to individual loanee covered under the scheme by 16.11.2002.
- ii) Advise concerned nodal officers of BO (to whom such cases might have been assigned for effecting recovery) to contact such loanee units personally and persuade them to get their account finally settled.
- iii) These nodal officers while contacting the loanee may procure the registration fees of Rs.1000/- and also the 10% up-front amount and if the up-front amount is not paid immediately, either post dated cheque or a specific date for depositing the 10% up-front amount may be obtained (payable of course prior to 31.12.2002).

- iv) In case the loanee party does not deposit the registration amount and up front amount during the visit of nodal officer, for all such cases, a campaign may be organized in second week of December, 2002 for registration of cases.
- v) All cases so registered should be attended to immediately and final decision be taken by the BM within a fortnight of its registration. Whatever cases are registered and up-front amount deposited, post dated cheques for the required balance amount should be taken in advance payable latest by 31.3.2003. In deserving cases, if it is felt that further extension upto 6 months is required beyond 31.3.2003, the post dated cheques for the remaining amount together with current rate of interest may also be collected. However, atleast 50% of settled amount shall have to be paid upto 31.3.2003.
- vi) Soon after final settlement of the account the documents of security available with the Corporation, if any, shall have to be released/discharged immediately not later than 30 days from the date of last payment is received according to the settlement.
- vii) A fortnightly progress report will be sent by RO after consolidating information of their BOs to HO (ARRC) in the prescribed format enclosed at Annexure 'C'.

5. Since the scheme does not envisage any detailed calculation, it is expected that there will be no practical difficulty at field level in taking decisions and settlement of the cases.

6. It is needless to emphasize that this is a one time opportunity to such loanees to finally settle their account and get rid of litigation, etc. Settlement of maximum number of such loss assets/written off/written back cases will bring down the loss assets portfolio of the Corporation. The Branch Manager/DGMs (R) are enjoined upon to use the provisions of this settlement scheme extensively and their performance during the year shall be judged on the basis of number of such cases settled by them.

(J.P.Vimal)
Executive Director

Encl : As above.

Copy to

1. GM(WZ), Jodhpur, DGM(A&I), WZ, Ajmer
2. All BOs/ROs/SOs.
3. Standard circulation at HO.

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RAJASTHAN FINANCIAL CORPORATION

Scheme for settlement of Deficit / Loss Assets and Written off cases – 2002-031. Eligibility:

The following category of cases are eligible to be covered under the scheme:

- a) Loan accounts in deficit and classified as Loss assets as on 31.3.2002 including litigation cases but excluding decreed cases.
- b) Cases already written off/written back as bad debt in the past.

2. Cases not eligible:

- a) Deficit cases where collateral security is available.
- b) Cases where decree has already been awarded in favour of the Corporation.
- c) Cases where the value of known property of the promoter/guarantor(s), as per the records of the Corporation, is far more than the amount of deficit/recovery except where the promoter gives an affidavit that the value of his property or the property of guarantor is not sufficient to cover the amount of deficit/recovery or is not saleable.

3. Norms for Settlement:

Above types of eligible case are to be settled on following norms:

Category of case		Extent of Relief
A. Deficit cases		
(i)	Cases where deficit amount is more than principle and other money on the date of sale after accounting for sale consideration	The amount of relief in such cases can be to the extent of 20% of the deficit amount or the total deficit in interest (after adjusting the sale price) whichever is higher.
(ii)	Cases where deficit is less than principal outstanding including other money on the date of sale after adjustment of sale proceed	In such cases the relief to the extent of 20% of deficit amount can be considered.
B. Written off/written back cases		
(i)	Cases where amount was written off and written back.	The amount of relief in such cases can be to the extent of 20% of the written off/written back amount or the total written back amount, whichever is higher.
(ii)	Cases where amount was written off and no amount was written back	In such cases relief to the extent of 20% of written off amount can be considered.

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4. **Registration fee and Up-front amount:**

The interested parties would be required to get the case registered by depositing Rs.1000/- as registration fees alongwith up-front amount equal to 10% of principal outstanding included in deficit (where it is not a case of deficit, the up-front amount would be 10% of principal outstanding /written off amount).

5. **Last date of Registration:**

The party interested in settlement of its account under this scheme would be required to get their case registered alongwith registration fee and up-front amount by 31.12.2002.

6. **Competent Authority**

The competent authority to settle such cases would be the Branch Manager. The competent authority shall dispose off the cases within a fortnight of its registration.

7. **Last date for payment of settled amount**

The settled amount shall have to be paid upto 31.3.2003. No interest would be charged on the amount payable upto 31.3.2003. In deserving cases, the Branch Manager can grant further extension upto six months recording justification of such extension, with a condition that current rate of interest would be charged on amount remaining unpaid. It should be ensured that atleast 50% of settled amount including up-front amount is paid upto 31.3.2003, if extension is granted..

8. **Release of Documents**

The competent authority would ensure that the documents of security, if any, are released/discharged within 30 days from the date of last payment is received according to settlement.

9. For the sake of convenience and guidance, an illustrative example is given in Annexure 'B'

Encl: As above.

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Illustrative Example

RAJASTHAN FINANCIAL CORPORATION

Particulars				
A. Deficit Cases				
		ABX & Co.	ABY & Co.	ABZ & Co.
1.	Amount outstanding as on date of sale			
	a) Principal sum	10.00	10.00	10.00
	b) Interest	17.50	14.50	4.50
	c) Other money	0.50	0.50	0.50
	Total	28.00	25.00	15.00
2.	Sale amount	10.00	10.00	10.00
3.	Deficit amount after appropriation of sale consideration			
	a) Principal sum	10.00	10.00	5.00
	b) Interest	8.00	5.00	0.00
	c) Other money	0.00	0.00	0.00
	Total	18.00	15.00	5.00
4.	Relief as per scheme	8.00	5.00	1.00
5.	Amount recoverable as per scheme	10.00	10.00	4.00
B. Written Off/Written Back cases				
1.	Amount written off	5.00	5.00	5.00
2.	Amount written back	3.00	1.00	0.00
3.	Relief as per scheme	3.00	1.20	1.00
4.	Amount recoverable as per scheme	5.00	4.80	4.00

Note: If the case is a deficit case or where the loan sanctioned is upto Rs. 50,000/- but subsequently written off/written back, the said case shall be considered in the category of written off/written back.

