

**RAJASTHAN FINANCIAL CORPORATION**  
Udyog Bhawan, Tilak Marg, Jaipur  
(FR-ARRC)

Ref.No.RFC/F./HO/FR-ARRC/Gen.-77/1094

Dated: 15.12.2008

**CIRCULAR**  
(ARRC No. 163)

**Sub: Policy with regard to stopping debiting interest from the date of take over of possession of the fixed assets of Industrial units by other Participating Financial Institutions (PFIs) and various Govt. Departments**

As soon as a unit is taken into possession by the Corporation, the interest rate is fed at "00" in the loan account from the date of possession of the unit u/s 29 or u/s 32 (G). There have been cases where possession has been taken by participating Financial Institutions / RIICO for recovery of their IPI dues or the industrial unit has been attached by other Govt. Departments e.g. Sales Tax, Central Excise, JVNL, Pollution Control Board, Official Liquidator etc. for recovery of their dues or otherwise. It is a fact that as far as borrower is concerned, possession by the Corporation or any other Govt. Department does not make any difference since the repaying capacity of the unit ceases as soon as the unit is taken into possession by any Govt. Department / body including RFC. Sometimes the disposal of units taken into possession by other Govt. Departments takes years before disposal / recovery of their dues. If interest rate is not fed as "00" in the concerned loan account then the interest dues are accumulated which present an exaggerated picture of the total outstanding of the Corporation and leads to fixation of unrealistic recovery targets.

In order to have a uniform treatment in all the cases of units under possession, irrespective of the fact that possession of such industrial units has been taken over by RFC / RIICO / other PFIs / any other Govt. Department, the matter was placed before the Board in its meeting held on 8.12.2008 and it has been approved by the Board that :-

"In the event of takeover of possession of an industrial unit by RFC/RIICO/any other Participating Financial Institutions (PFIs) / any other Govt. Deptt. causing physical possession resulting into closure of the unit and possession not remaining in

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the hands of the borrower then interest rate will be fed as "00" from the date of takeover of possession of the industrial unit.

However, this provision shall not be applicable in case of financial assistance provided by the Corporation under its Scheme of Financing commercial / residential projects as well as projects financed under FAAS in which possession of industrial units is not taken-over."

Accordingly, schedule 7(c) is added in ARRC Chapter- ARRC-1 in Procedure & Guidelines as under:

**7(c)**

**"In the event of takeover of possession of an industrial unit by RFC/RIICO/any other Participating Financial Institutions (PFIs) / any other Govt. Deptt. causing physical possession resulting into closure of the unit and possession not remaining in the hands of the borrower then interest rate will be fed as "00" from the date of takeover of possession of the industrial unit.**

**However, this provision shall not be applicable in case of financial assistance provided by the Corporation under its Scheme of Financing commercial / residential projects as well as projects financed under FAAS in which possession of industrial units is not taken-over."**

All concerned are advised to make note of the above for compliance.

*3/9*  
*(A.K. Garg)*  
Chairman & Managing Director

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