RAJASTHAN STATE INDUSTRIAL DEVELOPMENT & INVESTMENT CORPORATION LIMITED
Udyog Bhawan, Tilak Marg, Jaipur 302005.

ID/F&R/8/III/06
July 19, 2007

OFFICE ORDER

The Board of Directors of the Corporation in its meeting held on 27th June 2007 has approved the following policy with regard to levy of interest after taking over of the units, on the amount of shortfall, enforcement of personal guarantees of the promoters/guarantors and enforcement of decreed cases. The approved policy is enclosed at Annexure – A.

The policy comes into operation with immediate effect.

(A.K. Gupta)
General Manager

Copy to:
1. All Controlling Officers
2. All Officers of the FR Cell
3. Secretary
4. Concerned File

Copy for information to:
1. PS to MD for kind information of MD.
Subject: Policy of the Corporation with regard to levy of interest after taking over of the units, on the amount of shortfall, enforcement of personal guarantees of the promoters/guarantors and enforcement of decreed cases.

I. FOR TAKE OVER CASES:

In case at the time of take over or even after take over if the original promoter/(s) wants to take back the assets/unit, the Corporation may consider offering following concessions/reliefs for handing over the unit to the original promoter/(s).

1. In case the rate of interest charged/being charged (i.e. documented rate) is higher than the prevailing rate of interest, then the Corporation will recast the term loan account of the company since beginning at the average rate of interest i.e. 1/2 of (documented rate + prevailing rate) and after adjusting the payments made by the company from time to time.

2. In specific cases, the Committee for reasons to be recorded in writing, may recommend to the Board for charging interest upto prevailing rate of interest.

3. No penal interest shall be leviable in such recast accounts.

Provided that:-

(i) The unit has defaulted in payment of dues of two quarters;
(ii) The unit has incurred cash losses and has registered declining performance/turnover in the preceding two financial years prior to take over.
(iii) The promoters agree to pay 100% down payment of recast outstanding term loan dues as follows:-

- 25% payment within 30 days
- 75% balance payment within 180 days from date of communication

(iv) The possession of the unit shall be handed over only after receipt of 100% payment. However where the promoters provide collateral security to the extent of 50% of the 75% amount, as envisaged at Point (iii) to the satisfaction of Corporation, the possession can be given immediately and payment terms can be extended upto one year.

(v) No refund of amount already paid will be made if consequent to recasting amount becomes payable to the Borrower.

(vi) This scheme will be applicable to the units sanctioned loans prior to 1-4-2006.

II. POLICY FOR CHARGING INTEREST FOR WORKING OUT SURPLUS/DEFICIT

i) Existing policy of not charging interest on the outstanding dues from the date of take over be continued.
ii) In cases where surplus arises on sale of taken over assets, interest upto date of realization or to the extent total surplus is adjusted at documented rate from the date of takeover for determining the amount of surplus will be charged.

iii) Policy for charging interest on deficit amount should begin from the date of sale of assets instead from the date of take over and should be at the prevailing rate of interest instead of documented rates plus penal interest. This will avoid undue inflation of the deficit amount paving the way for easy settlements.

III. POLICY FOR GENERAL ADJUSTMENT OF SALE PROCEEDS AND IN DECREED CASES:

a. In cases of sale of assets U/S 29 of SFC's Act, Corporation’s accounting policies with respect to adjustment of sale proceeds be made at par with OTS scheme and accordingly the sale proceeds be adjusted in the following order of preference:

   - Expenses
   - Principal Outstanding term loan
   - Interest outstanding
   - Penal Interest
   - Other dues

   After adjustment of sale proceed as above, the deficit amount may have following components:

   - Part term loan
   - Part or full interest
   - Part of full penal interest

b. Prior to filing application U/S 31 of SFCs Act, the Corporation may try to settle recovery of deficit amount through OTS and efforts should be to recover:

   - Complete deficit term loan component
   - Maximum deficit interest amount subject to minimum 25% of outstanding deficit interest amount.
   - Complete waiver of penal interest.

c. In case the settlement is not arrived at, the Corporation may file application U/S 31 of SFCs Act for recovery.

d. This policy initially will be applicable to all the above cases for a year where either decrees have already been obtained and / or are in the process.