

REVISED RESCHEDULEMENT POLICY -2005.

The Policy for Reschedulement of dues of the defaulting units was put up in the Settlement Committee meeting held on 15-02-2003. After the approval of the Settlement Committee, the policy was put up before the Executive Committee meeting held on 29-03-2003. After approval of the Executive Committee a Circular No. 05/2003-04 dated 5-5-2003 was issued by the Corporation. A copy of this Circular is placed at Annexure-I.

The Reschedulement Policy per se has been quite exhaustive and the Corporation has been able to cover most of the cases under this policy. Following changes are proposed in the extant reschedulement policy in order to make it more beneficial to borrowers.

1. It has been felt that the rate of interest being charged on outstanding principal and funded interest both in FATL and WCTL @ 16.5% & 17% respectively has been quite high. This needed downward correction. It is proposed that the rate of interest on outstanding principal and funded interest in FATL cases would be 13 ½% and in WCTL cases it would be 15%. The revised table in the case of rate of interest is proposed as under:-

a) For FATL (for all size of units)

S. No.	Particulars	Existing policy	Revised Policy
1.	Principal Outstanding	Reschedulement of principal outstanding considering the rate of interest @ 16.% or at documented rate of interest whichever is lower	Reschedulement of principal outstanding considering the rate of interest @ 13.5 or at documented rate of interest whichever is lower
2.	Total Overdue Interest	Funding of interest over due considering the rate of interest @ 16.5% or at documented rate of interest whichever is lower.	Funding of interest over due considering the rate of interest @ 13.5% or at documented rate of interest whichever is lower.

b) For WCTL (for all size of units)

S.No.	Particulars	Existing policy of the Corporation	Revised policy of the Corporation
1.	Principal outstanding of WCTL	In case of WCTL, entire overdue interest i.e. simple, compound and penal/default interest, shall be deposited by the borrower and principal amount of WCTL will be	In case of WCTL, entire overdue interest i.e. simple, compound and penal/default interest, shall be deposited by the borrower and principal amount of WCTL will be

		rescheduled considering the rate of interest @ 17% or at documented rate of interest whichever is lower.	rescheduled considering the rate of interest @ 15% or at documented rate of interest whichever is lower
	Total Outstanding Interest	In case of WCTL, entire overdue interest i.e. simple, compound and penal/default interest, shall be deposited by the borrower and principal amount of WCTL will be rescheduled considering the rate of interest @ 17% or at documented rate of interest whichever is lower	In case of WCTL, entire overdue interest i.e. simple, compound and penal/default interest, shall be deposited by the borrower and principal amount of WCTL will be rescheduled considering the rate of interest @ 15% or at documented rate of interest whichever is lower

Note: No terminal interest rate benefit of 1% would be allowed in rescheduled cases.

2. In the existing Reschedulement Policy, power for reschedulemnt in certain cases have been delegated to the General Manager. Since the Corporation do not have any General Manager at present, it is proposed that these powers may be given to the Managing Director. Other delegation as per extant policy would remain unchanged. Thus the **delegation for powers** of reschedulement as per new policy would be as under:-

(A) Delegation of powers for Reschedulement

S. No.	Loan Quantum	Amt. To be Rescheduled	Approving for Ist reschedulement	For Iind time.
1.	Cases where principal outstanding is upto Rs.50.00 lac	i. If only principal is to be rescheduled ii. If interest is also to be rescheduled.	R.M. Dy. G.M.	Dy.G.M. M.D.
2.	Cases where principal outstanding is more than Rs.50.00 lac	i. If only principal is to be rescheduled ii. If interest is also to be rescheduled	Dy. G.M. M.D.	M.D M.D

- (B) Barring exceptional circumstances no case shall be provided reschedulement facility more than twice. However, in exceptional case if there is genuine need to provide reschedulement facility more than twice, the Managing Director is empowered to do so.
- (C) In genuine cases the power for revalidation of reschedulement shall vest with Dy G.M./G.M.in all categories of cases.

ANNEXURE-I

OLD RESCHEDULEMENT POLICY-2003

Board of Directors of UPFC in its meeting held on 14.05.1999 had approved the Guidelines of reschedulement of dues inter-alia to provide reschedulement of loans at documented rate of interest or at current rate of interest which ever is higher and same is presently being followed.

The existing guidelines of reschedulement of dues also needs to be revised in view of southwards trend of interest rates and to check the units becoming sick due to higher rate of interest burden. Accordingly, the Reschedulement Policy has been revised and it has been approved by Executive Committee in its meeting held on 29.03.2003. As such henceforth following revised guidelines are to be observed and complied with.

1. ELIGIBILITY:

- i. The units where the over dues of interest have accumulated to the extent of 60% or more of the principal disbursed, i.e. exposure has exceeded 160% disbursed amount, would normally be not taken up for reschedulement. It is being proposed in view of the fact that project is not expected to service the debt if the exposure has exceeded more than 160% of the disbursed principal.
- ii. Prima-facie, the proposal satisfies that:
 - a. Adequate working capital has been arranged from the Bank, institutions are private resources etc. to be supported with papers.
 - b. The trend of sales/revenue income justify that future cash flow projections match with the rescheduled payments.
 - c. Main problems have been solved.
- iii. Efforts should be made with party to clear at least 50% interest over dues to deposit at least two-quarter interest, whichever is lower.

2. PROCESSING:

i. Wanting Papers:-

- a) Balance sheets for last 2 to 3 years
- b) Working results month wise for last 6 months/current financial year
- c) Main problems responsible for the default and whether they have been overcome.
- d) Repayment plan matching with the future projections(cash accruals and D.S.C.R. is found satisfactory)

ii. Time Schedule:

The case should be processed within 30 days after registration and receipt of wanting papers.

3.(a) REGISTRATION

Regional Office will analyse the balance sheets as per format as well as problems, which have caused default. Cases shall be put up before the R.N.C. in a format for discussion and registration. If it is found that rescheduling can help the unit in its functioning in future, R.N.C. will register the case and same will be processed and send to competent authority for consideration and decision. However, in those cases, party approaches directly to Head Office, the case will be registered by General Manager after getting the recommendation of Regional Office on the file itself.

b) PROCESSING FEES: The processing fee will be as under:-

Particulars	Rescheduling	Re-fixation
Loans upto Rs.10.00 lakhs	Rs. 3,000.00	Rs.1000.00
Loans Rs. 10.00 -25.00 lakhs	Rs.6,000.00	Rs.2,000.00
Loans Rs. 25.00 -100.00 lakhs	Rs.12,000.00	Rs.4,000.00
Loans Rs. 100.00 lakhs-above	Rs.20,000.00	Rs.8,000.00

4 GUIDELINES FOR RESCHEDULMENT:

- i. Interest normally will not be rescheduled.
- ii. Rescheduling of principal and interest of each loan shall be drawn in such a manner that element of interest is recovered first.
- iii. The same process will apply to the Working Capital Term loan also.
- iv. If there are more than one loan including working capital term loan the rescheduling should be drawn in such a manner that working capital Term loans interest are recovered prior to FATL.
- v. The defaulting borrower can be allowed to repay the Working Capital term loan along with interest with/without charging pre-payment premium as per policy.
- vi. In case of seasonal units, the instalments should be fixed in such a manner that maximum amount is recovered during the peak generation of revenue and smaller instalments be kept in lean season.
- vii. Where there are more than one account of the borrower, the rescheduling of principal outstanding of all loans and interest to be funded of all account may be clubbed and single rate of interest charged on the principal outstanding and single rate of interest charged on the entire interest outstanding after working out weighted interest rate for the both.

viii. **Rate of Interest :**

a) For FATL (for all size of units)

SL. NO.	PARTICULARS	PROPOSED POLICY OF THE CORPORATION
1.	Principal Outstanding	Reschedulement of principal outstanding considering the rate of interest @ 16.5% or at documented rate of interest whichever is lower.
2.	Total overdoes Interest	Funding of interest over dues considering the rate of interest @ 16.5% or at documented rate of interest whichever is lower.

b) For WCTL (for all size of units)

SL. NO.	PARTICULARS	PROPOSED POLICY OF THE CORPORATION
1.	Principal Outstanding of WCTL	In case of Working capital term loan, entire overdue interest i.e. simple, compound and penal/default interest shall be deposited by the borrower and principal amount of WCTL will be rescheduled considering the rate of interest @ 17% or at documented rate of interest whichever is lower .
	Total ODI	In case of working capital term loan, entire overdue interest i.e. simple, compound and penal/default interest shall be deposited by the borrower and principal amount of WCTL will be rescheduled considering the rate of interest @ 17% or at documented rate of interest whichever is lower.

In case of default, penal interest @3.5%per annum with quarterly rest shall be charged as per prevailing norms.

ix. **Effective Date of Reschedulement:**

The reschedulement will be effective from first date of the quarter reckoned for calculations of interest as per approval granted by the competent authority.

x. **Extension of Currency Period:**

The extension of currency period should normally not to exceed beyond 3 years.

xi. If default continues for 6 months or more, the reschedulement will stand withdrawn unless the period is extended by the Corporation otherwise (Applicable after approval of the proposal).

5.(A) DELEGATION OF POWERS FOR RESCHEDULEMENT:

Sl. No	Loan Quantum	Amount to be rescheduled	Approving for Ist time Reschedulement	For IInd Time
1.	Cases where Principal outstanding is up to Rs.50.00 lakhs	i. If only principal is to be rescheduled ii. If interest is also to be rescheduled	R.M. Dy.G.M.	Dy.G.M. G.M.
2.	Cases where principal outstanding is more than Rs. 50.00 lakh	i. If only principal is to be rescheduled ii. If interest is also to be rescheduled.	Dy.G.M. G.M.	G.M. M.D.

B. Barring exceptional circumstances no case shall be provided reschedulement facility more than twice. However in exceptional case if there is genuine need to provide reschedulement facility more than twice the Managing Director is empowered to do so.

C. In genuine cases the power for revalidation of reschedulement shall vest with G.M. in all categories of cases.

6. FOLLOW-UP OF THE RESCHEDULEMENT:

The reschedulement cases shall be follow-up/monitored meticulously and in case default continues for the period of 6 months, the reschedulement will stand automatically cancelled and original repayment schedule will prevail and then recovery action will be taken accordingly. This will be applicable after approval of the reschedulement proposal.

7. CONSENT OF THE BORROWER:

After communication of the reschedulement the formal consent of the borrower is must in every case and accordingly it must be ensured that the reschedulement has been recorded in the loan ledger and legal files with Law officer as well as it is computerized.

8. Interpretations/clarification required if any, on the subject could be sought from Incharge recovery department at Head office.

9. Any other issue on the subject not covered above shall be referred to Incharge Rehabilitation Department, Head Office with due recommendations by Regional Office.

This circular will supersede all the previous circulars on the subject and will come into force with effect from -01.04.2003.

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(DR.R.N.TRIVEDI)
MANAGING DIRECTOR