

**GUJARAT STATE FINANCIAL CORPORATION
RECOVERY (CO.ORDN)
UDYOG BHAVAN, GANDHINAGAR**

Ref. No : GSFC/REC.CO./GM/

21st October, 2009

C I R C U L A R

Ref. Circular No.GSFC/Rec.Co./GM/27 dtd.7.2.2009 and Circular No.33 16.2.2009

Read: Item No.15 of the Board Meeting held on 30.9.2009

Corporation introduced One Time Settlement Scheme vide Circular No. 27 dated 07/02/2009 and Circular No. 33 dated 16/02/2009 for cases financed under various financing schemes such as Hire Purchase, Lease Finance, Bill Discounting, Working Capital Term Loan and Line of Credit called as FSD. The scheme was operative up to 06/08/2009. Since the response under the scheme was not encouraging, a modified scheme was put up for approval in the meeting of the Board of Directors held on 30/09/2009. The Board of Directors have approved the following OTS scheme for FSD cases :

ELIGIBILITY

To be eligible for OTS under the scheme, the unit should satisfy the following condition on 01.10.2009:

The account should be a NPA account as on the date of application under this scheme.

FORMULA FOR OTS

- a) The rate of interest on the principal disbursed amount shall be charged @ 8% per annum on quarterly compounding basis till the original LDR and, thereafter, the computation shall be on simple interest at 8% per annum.
- b) Principal amount means the principal disbursed plus other capitalized expenses.

- c) Entire debited as well as outstanding penalty (paid+unpaid) shall be waived for the purpose. Penalty shall be construed as that percentage that is charged in excess of the rate of interest at which the loan was given to the borrower.
- d) Date-wise effect/credit of repayment made, if any, by the unit shall be given
- e) If OTS amount is negative or less than 65% of the present principal outstanding, then the minimum recovery shall be at least 65% of the present principal outstanding in the account as on the date of calculating the OTS amount.
- f) The principal amount of sales tax, if any, payable by the unit shall be added to the OTS amount calculated as above (if not already added in the account) and the final OTS amount shall be the sum of the OTS amount as calculated above and the principal sales tax amount.
- g) The unit willing to opt for the scheme shall initially submit an application for getting the OTS amount (final OTS amount) computed, together with a non refundable and non-adjustable fee of Rs.1,000/-. When the final OTS amount is intimated to the unit, the unit desiring to enter the OTS scheme shall pay 20% of the final OTS amount as down payment to get entered into the scheme. The balance OTS amount shall be paid in six equal monthly installments, without interest, by way of post dated cheques commencing from the date of sanction letter.

GENERAL TERMS FOR THE ABOVE SCHEME

1. For calculation of OTS amount under the scheme, the calculation of interest shall be frozen on the last day of the quarter preceding the quarter in which the OTS application is submitted.
2. As a result of OTS under the aforesaid scheme, there shall not be any cash out go or refund.

3. Where the unit is having more than one defaulting account under FSD cases, all the defaulting accounts need to be settled before NDC can be issued to the unit.
4. If a defaulting unit applying for settlement under this scheme has other defaulting account(s) financed by the Corporation under FSD, which is of a Group Company, the settlement of any Group Company's account can be done by settling such defaulting accounts and NDC shall be issued only after receiving settlement of all such defaulting accounts. Security cannot be released till entire OTS amounts of all such accounts are repaid as per settlement.
5. If the unit fails to pay the OTS amount, or any installment of the OTS amount, within the time limit prescribed, the delay shall be condoned up to a period of six months from the due date of payment of the relevant OTS installment. The unit will be required to pay simple interest for the amount of delay payment at the rate of 11% per annum for the period of delay.
6. This scheme would be applicable to those units that join it after this date or have joined the OTS scheme for FSD cases approved by the Board in its meeting dated 6.2.2009 but have not paid any installment (other than down payment) payable under that OTS scheme. In any case, no refund would be paid to any unit.

The scheme shall come into force from 01.10.2009."

C I R C U L A R

Ref. Circular No.GSFC/Rec.Co./GM/30 dtd.7.2.2009

Read: Item No.13 of the Board Meeting held on 30.9.2009

The settlement scheme for the units registered with BIFR, GBIFR and declared sick is introduced by the Corporation vide its Circular No. 30 dated 07/02/2009. The scheme is operative since 07/02/2009. The performance under the scheme is not encouraging, considering that the total number of sick units registered with BIFR and GBIFR and amount involved in it is high. The Corporation, therefore, placed a more liberal OTS scheme before the Board of Directors for approval with some relaxation in minimum OTS amount to be paid etc. Board of Directors deliberated the proposed scheme incorporating the above mentioned changes and, subsequently, approved the following modifications in the scheme under the head "Formula for OTS" :

Formula for OTS

The OTS amount shall be higher of the following (a) and (b)

(a) Return – Rate of interest

6% p.a. rate of interest from the date of disbursement, compounded quarterly till date of LDR and simple interest thereafter.

(b) Principal

OTS amount should not be less than 65% of present principal outstanding.

Additional condition :

The benefit of this revised formula for OTS would be available to the units who have joined the existing scheme but not paid any installment (except down payment) so far.

All other terms and conditions of the circular No. 30 dated 07/02/2009 will remain unaltered.

The scheme shall come into force from 01.10.2009."

C I R C U L A R

Ref: (1) Circular No.GSFC/REC Co./GM/25 dated 07.02.2009
(2) Item No.9 of the Board Meeting held on 30.09.2009

Corporation has introduced One Time Settlement Scheme, namely Residual Recovery Scheme, vide circular under reference (1), for borrowers whose primary and collateral security have been sold off/released. While implementing the scheme, certain difficulties have been experienced; such as credit for paid penalty against OTS amount, in certain cases OTS amount is worked out to be Nil, treatment of pledged shares as collateral security and recovery of sales tax amount. Therefore, an agenda item covering the above points was placed before the Board of Directors meeting held on 30.09.2009.

The Board approved the following modifications in the current scheme on the points mentioned above.

1. The stipulation in point No.3 of the prevailing scheme under the head 'Formula for computation of settlement amount' is modified as 'Outstanding penalty shall be waived' instead of the current provision of 'penalty, both paid and unpaid, shall be waived'.
2. To become eligible under the scheme, pledged shares shall also be deemed to be collateral security with the Corporation; and the unit shall not be eligible for OTS benefit under this scheme until the shares pledged to the Corporation are released to the satisfaction of the Corporation.
3. Point No. 5 is added under the head 'Formula for computation of settlement amount', as under:

'In case loan is extended under FSD (hire purchase, lease finance etc.) where sales tax has been claimed by the Sales Tax Department from the Corporation, the principal amount of applicable sales tax (without interest) shall be added to the OTS amount calculated and the final OTS amount shall be arrived at accordingly.'
4. The credit balance, if any, of principal outstanding column of the borrower's account shall be first adjusted against the interest outstanding as on the date the sale proceeds are credited in the account of the borrower. Surplus, if any, thereafter should be

adjusted against the penal interest outstanding as on the above date. In line with the above treatment, there should ordinarily be no credit balance in the principal outstanding column of the borrower's account as on the date of his submitting application under the Residual Recovery Scheme.

All other terms and conditions of earlier circular dated 07.02.2009 remain unaltered.

SCHEME 5: OTS SCHEME FOR PARTIALLY DISBURSED PROJECTS WHO COULD NOT GO INTO COMMERCIAL PRODUCTION

Eligibility:

The project is one that could not go into commercial production due to partial disbursement of the loan sanctioned by the Corporation on account of liquidity crunch faced by the Corporation.

Formula for settlement:

1. The entire outstanding of principal amount as on date of application under the OTS Scheme to be recovered.
2. Other expenses such as security charges, legal fees, advertising expenses etc. to be recovered on actual basis.
3. Entire interest and penal interest shall be waived.

Terms of payment

1. 25% of the OTS amount shall be paid as down payment together with the application. The remaining amount shall be payable in 4 equal monthly installments commencing from the first day of the month subsequent to the month in which OTS application is made.
2. Managing Director shall be authorized to condone delay in payment for up to 6 months from the due date of payment of the last installment. Interest @ 14% per annum shall be charged on the amount and the period of delayed payment from the date of down payment.

Authority to sanction:

Managing Director is authorized to decide which cases will be covered under this scheme. For this purpose, the Regional Offices will process the applications received under this scheme and submit the same, together with their remarks, to Head Office. In Head Office, the matter will be processed by the concerned branch and submitted through the General Manager to Managing Director for decision.

MANAGING DIRECTOR

SCHEME 6: SPECIAL SCHEME FOR RELEASE OF RESIDENTIAL DWELLING GIVEN TO THE CORPORATION AS COLLATERAL SECURITY BY THIRD PARTY

Eligibility:

1. The current market value of the residential dwelling held as collateral security sought to be released under this special scheme shall be less than Rs. 50 lakh, as per the valuation conducted by an approved panel valuer. For the seven Municipal Corporation cities, the valuation should be got done through GITCO, whereas in other areas the valuation could be done through GITCO or other approved panel valuer. The valuation shall be got done by GSFC at the expense of the surety.
2. The surety seeking release of security under this scheme should not have any other residential dwelling either in his / her name or in name of his / her spouse.

Formula for OTS:

1. If the residential property is situated in a village having population less than 15000 (as per 2001 census), the property shall be released on payment of the market value, as determined under the head 'Eligibility' above, or the appraisal value, whichever is lower.
2. If the residential property is situated in an area other than a village having population less than 15000 (as per 2001 census), the property shall be released on payment of the market value, as determined under the head 'Eligibility' above, or the appraisal value, whichever is lower plus 10% of the difference between the market value and appraisal value.

Method of payment:

1. 50% of the settlement amount, determined as per the above-mentioned formula shall be payable within 30 days of the date of communication to the surety of the settlement amount. The remaining 50% shall be payable in four equal monthly installments thereafter, without interest.
2. In case of delayed payment, the delay can be condoned by charging simple interest @ 12.5% p.a. from the date of payment as below:
 - (a) Maximum delay period of 30 days in payment of the first installment of 50%, which is payable within 30 days of communication;
 - (b) Maximum delay period of 6 months in payment of the remaining four installments, from the date of repayment of the last of the four installments.

GENERAL:

1. The regular scheme for releasing collateral security upon payment of higher of the market value or appraisal value of the property shall continue in case of property having market value of Rs. 50 lakh or above, or for other sureties not covered under this scheme.
2. This scheme will not be applicable to cases where the security is in the name of the unit.

AUTHORITY:

The Recovery Committee is authorized to take decision on an application made under this special scheme for release of collateral security which is in the nature of residential dwelling, in accordance with the scheme.

This circular comes into force with immediate effect.

MANAGING DIRECTOR

**SCHEME 7: ONE TIME SETTLEMENT (OTS) SCHEME TO PURCHASERS OF ASSETS
TAKEN OVER BY THE CORPORATION AND SOLD U/S. 29 OF SFCs
ACT, 1951**

FORMULA FOR OTS:

The OTS amount shall be the higher of the following (a) and (b)

(a) Return :

Rate of interest @ 6% p.a. from the date of down payment after auction, compounded quarterly till date of LDR and simple interest thereafter.

(b) Principal:

OTS amount should not be less than the present principal outstanding in the account of the purchaser.

TERMS OF PAYMENT:

(a) 25% of the OTS amount to be paid as application money to enter in the scheme.

(b) Balance OTS amount is to be paid in 4 monthly installments thereafter commencing from the subsequent month. Unit to submit post dated cheques on receipt of OTS sanction letter from the Corporation.

(c) Security charges, advertisement expenditure, advocate fees, and other expenses, if any, paid by the Corporation to be recovered from the purchaser.

This circular comes into force with immediate effect.

MANAGING DIRECTOR