**APPENDIX - I**

**IMPORTANT RBI GUIDELINES FOR BANKS REGARDING REHABILITATION OF SICK INDUSTRIES**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DATE</th>
<th>SUBJECT AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>26.11.76</td>
<td>Sick Industrial Undertakings : Quarterly Reporting of Sick Units (enjoying credit facility of Rs. 1 crore and above) to RBI, Definition of a Sick Unit.</td>
</tr>
<tr>
<td>1978</td>
<td>21.2.78</td>
<td>Quarterly Reporting of Major Industry Groups (Sick And Healthy)</td>
</tr>
<tr>
<td></td>
<td>12.5.78</td>
<td>Appraising of 'Finance to SSI sector And Rehabilitation' to Board of Directors of A Bank.</td>
</tr>
<tr>
<td>1979</td>
<td>24.1.79</td>
<td>Reporting To RBI - Review Notes on sick SSI, Medium and Large Industries maintained by sick unit cell of each bank.</td>
</tr>
<tr>
<td></td>
<td>31.8.79</td>
<td>Sick Industrial Undertakings.</td>
</tr>
<tr>
<td>1985</td>
<td>7.10.85</td>
<td>Sick Industrial Units - 1) Detection of sickness at Incipient Stage, 2) Need for proper coordination between banks and financial institutions in implementation of Rehabilitation Package.</td>
</tr>
<tr>
<td></td>
<td>5.11.85</td>
<td>Rehabilitation of Sick Industrial Undertakings - Banks have to seek prior approval of RBI in case of sanctioning of Reliefs / Concessions are beyond RBI Parameters.</td>
</tr>
</tbody>
</table>
YEAR  DATE              SUBJECT AREA
1986  28.2.86            Leavy of Interest Rate on working capital:
                              Interest on Funded Interest upto cutoff
date should be 10% subject to annual
                              review.
4.9.86                        Reporting System In Banks :
                              Recommendations of The Pendharkar Working
                              Group to review the existing system of
                              inspection of banks by the RBI and formats
                              for reporting system in banks. Under this
                              following formats / returns included :
1. Quarterly : Returns of Sick Industrial
                              Units with limits Rs. 1
                              crors and above - performance in rehabilitation of
                              Sick Units Quarterly Review
                              prepared by banks.
2. Quarterly : Progress Reports in respect
                              of Sick Units to
                              Government : Numerical
                              Position of Sick SSI and
                              Large Units.
3. Quarterly : Return of Large Sick Units
                              for the purpose of Guidance
                              Committee.
YEAR | DATE | SUBJECT AREA
--- | --- | ---
1987 | 6.2.87 | Rehabilitation of Sick SSI Units
Guidelines: Incipient Sickness, Definition of Sick SSI Unit, Viability of Sick SSI Unit, Reliefs/Concessions for rehabilitation of Potentially Viable Units, Delegation of Powers, RBI Approval.

1987 | 24.2.87 | Rehabilitation of Sick Industrial Companies
- Establishment of BIFR
- Reporting to BIFR,
- Definition of 'Weak' Industrial Undertaking
- Formulation of Rehabilitation scheme
- Reporting - Statement to be submitted by banks for SSI and other than SSI Sick Units.

25.6.87 | Obligatory on Financing Banks To Participate In Rehabilitation Package In Respect of Potentially Viable Sick/Weak Units.

1988 | 30.7.88 | Credit Assistance To SSI Sector
- Timely Sanction of Working Capital Limits
- Adequancy of Working Capital Sanctioned by banks
- Rehabilitation of Sick SSI Units
Periodical Reports to the Boards of banks with respect to Credit Assistance to SSI Sector.

12.9.88 Rehabilitation of Sick SSI Units

- Eligibility of Retrenchment Compensation

Gist of Circular: Retrenchment Compensation where such Payment becomes a statutory Liability can be included as an eligible item forming part of the rehabilitation packages of sick SSI Units.

Assistance for this purpose may be shared by all the lending banks / financial Institutions Pro-rata to their outstanding assistance to the unit.

1989 24.1.89 Credit Monitoring Arrangement

Rehabilitation Of Sick Industrial Undertakings - Parameters for provision of reliefs and concessions.

Gist of Circular: Clear Instructions about Charging (the then) prevailing interest rate on fresh term loans granted to Sick Units under rehabilitation schemes and not 2% below which is only allowable in case of existing term loans.
YEAR  DATE  SUBJECT AREA
2.3.89  Rehabilitation of Sick/Weak Industrial Units  Gist of Circular:
1) period upto which concessions can be granted to a unit when there is more than one package
2) Discontinuation of treatment of Industrial Units as Sick/Weak
3) Funding of Interest need for uniform approach.
2.3.89  Rehabilitation of Sick/Weak Industrial Units - Modification in the definition of 'Weak' industrial Unit.
2.3.89  Rehabilitation of Sick/Weak Industrial Units - Instructions.
8.6.89  Rehabilitation of Sick small scale Industrial units. (modification in the earlier Cir. dated 6.2.87)
GIST of Cir-Definition of Sick SSI Unit Modified.
- Extent of Concessions
- Funding of Interest - need for uniform approach.
16.6.89  Half Yearly Reporting System - SSI Sick, Non-SSI Sick/Weak Industrial Units.
22.9.89  Half Yearly Reporting System SSI Sick, Non-SSI Sick/Weak Industrial Units
- Modified Formats Containing

Part I A - Statewise data SSI Sick Units

I B - Industrywise data in respect of
SSI Sick Units

I C - Statewise data of SSI sick
Units including tiny decentralised
sector (like seeuy scheme etc.) which
are no longer in existence or non-
tracable and / or have not assets
left.

I D - For Non-SSI Sick/Weak
Industrial Units.

I E - Definition of Sick Industrial
Company.

Modification in aforesaid statement over
the earlier (1987) : Statement II would
include all sick/weak units irrespective
of they are MRTP Cos. or not. (which made
by RBI on 20.8.90)

1990 12.7.90 Rehabilitation of Sick/Weak Industrial
Units - General Guidelines

31.8.90 Guidelines : Revised Parameters on
Interest Rates on advances under
Rehabilitation Package : Rehabilitation of
Sick SSI Units. Also Credit Guarantee Fee
To be passed on to borrowers account which
are put under nursing or to be borne by banks.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>DATE</th>
<th>SUBJECT AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.11.90</td>
<td>Funding of Workers Cooperatives to take over of sick Industrial Companies.</td>
</tr>
<tr>
<td></td>
<td>7.11.90</td>
<td>Rehabilitation of Sick/Weak Industrial Units Discounting of debts by banks.</td>
</tr>
<tr>
<td></td>
<td>23.11.90</td>
<td>Rehabilitation of sick/weak Industrial Units - Exemption of Individual bank's exposure from the application of the (then) existing ceiling prescribed under the prudential norms for risk management in the case of Sick / Weak units. Ceiling: Bank's credit exposure not to exceed 25% of capital funds in case of an individual borrowers and, 50% in case of group borrowers.</td>
</tr>
<tr>
<td>1991</td>
<td>8.1.91</td>
<td>Rehabilitation of Sick Small - Scale Industrial Units: Format for reporting individual packages involving reliefs / concessions beyond RBI parameters approved during half year ended.</td>
</tr>
<tr>
<td></td>
<td>25.2.91</td>
<td>Rehabilitation of sick/weak industrial units - submission of Quarterly Report on Advances Beyond RBI Parameters (1st Report : 31.3.91)</td>
</tr>
<tr>
<td>YEAR</td>
<td>DATE</td>
<td>SUBJECT AREA</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1991</td>
<td>21.3.91</td>
<td>Rehabilitation of sick/weak Industrial units</td>
</tr>
<tr>
<td>1991</td>
<td>5.8.91</td>
<td>Rehabilitation of Sick / Weak Industrial units (Minutes of the Meeting of Major Comm. Banks)</td>
</tr>
<tr>
<td>1991</td>
<td>6.12.91</td>
<td>Advances to sugar Industry - Parameters for provision of reliefs/concessions by banks under rehabilitation packages.</td>
</tr>
<tr>
<td>1991</td>
<td>6.12.91</td>
<td>Parameters for provision of reliefs / concessions by banks under rehabilitation packages evolved for non-SSI Sick / Weak industrial Units considered as potentially viable.</td>
</tr>
<tr>
<td>1992</td>
<td>2.1.92</td>
<td>Conversion of funded Interest/Term Debt into Equity of Non-SSI Sick / Weak Industrial units under rehabilitation packages.</td>
</tr>
<tr>
<td>1992</td>
<td>10.1.92</td>
<td>Change in the Parameters for Provision of reliefs/concession by banks to non-SSI Sick / Weak Industrial Units.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gist of Circular : Instead of earlier practice of stipulating fixed rates of interest, fixed percentage points below the prevailing tending rate to be applied.</td>
</tr>
<tr>
<td>1992</td>
<td>1.7.92</td>
<td>Rehabilitation of Sick SSI units - Parameters on interest rates and promoters' contribution.</td>
</tr>
</tbody>
</table>

viii
<table>
<thead>
<tr>
<th>YEAR</th>
<th>DATE</th>
<th>SUBJECT AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>23.3.93</td>
<td>Certain Modifications in the Format of Half-yearly Reporting of Sick Units.</td>
</tr>
<tr>
<td>1995</td>
<td>7.2.95</td>
<td>Change in Parameters for provision of reliefs / concession by banks to Non-SSI / Sick / Weak Industries.</td>
</tr>
</tbody>
</table>

**LIST OF GUIDELINES BY GOVERNMENT, IDBI etc.**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DATE</th>
<th>SUBJECT AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>21.7.87</td>
<td>Industrial Development Bank of India Refinance scheme for Rehabilitation of Sick SSI and Medium Scale Units.</td>
</tr>
<tr>
<td>1991</td>
<td>7.1.91</td>
<td>Small Industries Development Bank India Definition of sick SSI units modified according to Definition given by the RBI to have uniformity, so as to avoid difficulties in implementation of rehabilitation packages of potentially viable SSI sick units.</td>
</tr>
<tr>
<td>1993</td>
<td>31.3.93</td>
<td>Refinance Scheme for Rehabilitation of Sick SSI Units.</td>
</tr>
</tbody>
</table>
APPENDIX - II

QUESTIONNAIRE FOR CENTRAL OFFICE LEVEL OF THE SELECTED BANK

1. ORGANISATIONAL ASPECT

1.1 Formation of Rehabilitation Department - Year

1.2 What is the setup of the department?

1.3 What are the functions / role performed by the department working at corporate level? (Give details)

1.4 Is the present staff strength sufficient to perform the aforesaid functions effectively?

1.5 What is the staffing pattern of the department? (Please give details)

1.6 Position of Sick Units:
   (Please give statistical details about small, medium scale sick units, region wise)

<table>
<thead>
<tr>
<th>Year</th>
<th>Particulars</th>
<th>SSI</th>
<th>MEDIUM</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>BIFR CASES</td>
<td>NON BIFR CASES</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Total Sick Units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Potentially Viable Sick Units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Units put under rehabilitation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Units in respect which viability not yet decided</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Potentially Non-Viable Units</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.7 Is there any BIFR cell at C.O. to handle the BIFR cases?
POLICY

2.1 What is the policy of the bank towards sick unit and their rehabilitation?

2.2 Taking into account the present increasing trend in new units becoming sick and increasing Non-Performing Assets, Do you think that policy of the bank is liberal / more liberal / or just as required?

2.3 What is your framework regarding 'Delegation of powers' in respect of rehabilitation finance? (Please give details)

2.4 Do you think that the said framework is sufficient enough for timely sanctioning of rehabilitation finance?

IDENTIFICATION OF SICKNESS:

3.1 Is there any system present for identification of new sick units in your bank?

3.2 If not, how the sick units are identified by branches / regions?

3.3 What is the procedure regarding declaration of sickness of a unit?

3.4 Whether you receive intime reporting about incipient sickness of a Unit from Regional Office?

VIABILITY DECISION:

4.1 After identifying the unit as sick how the viability of the unit is decided? (Please elaborate)

4.2 a) Whether the study about viability is conducted by an outside consultant?

        b) If yes, what is the quality of the report submitted by the consultant?

4.3 How much time is taken in deciding about the viability of a unit?

REHABILITATION DECISION:

5.1 How much time is taken in deciding about to rehabilitation the unit?
5.2 Are there any critical parameters applied in taking for rehabilitation decision?

5.3 Whether you find any loopholes in the proposal received from Zone / Region?

5.4 What is your experience in BIFR referred medium sick industries? (Please elaborate).

6. PREPARATION AND IMPLEMENTATION OF A REHABILITATION PACKAGE

What are the parameters you observed while preparing a rehabilitation package?

6.1 In case of BIFR referred medium sick units what type of difficulties you find in implementation of the rehabilitation package?

6.2 How much average time is lapsed between preparing a package and its implementation?

6.3 What is your experience about borrowers in implementation / non-implementation of a rehabilitation package?

7 Would you like to offer any comments or suggestions towards effective/intime revival of sick units and thereby releasing of funds so blocked?
APPENDIX - III

QUESTION-NAIK FOR ZONAL/REGIONAL LEVEL OF THE SELECTED BANK

I GENERAL:

POSITION OF SICK UNITS AS AT ________

1.1 Total Advances to Industrial Sector: Rs.______Lakhs
   - Of which to SSI sector: Rs.______Lakhs
   - Of which to Medium + Large sector: Rs.______Lakhs

1.2 Total Number of Sick Units + Amount Outstanding
   - Of which under SSI category: No./Rs.______Lakhs
   - Of which under M+L category: No./Rs.______Lakhs

1.3 Breakup of Sick Units: Viability category wise
   (Rs. in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th>SSI</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Total Sick</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B) -Of 'A'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above potentially viable units (PV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C) - Of 'B'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above - put under nursing (PUN)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D) - Of 'B'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above - not put under nursing (Not PUN)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E) - Potentially non-viable units (PNV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F) - Of 'E'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above - suit filed (SF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G) - Of 'E'</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above - not suit filed (NSF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H) Accounts Rehabilitation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>During the period from 19 to 19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
II IDENTIFICATION:

2.1 Whether you receive timely reporting about the irregularity/incipient sickness of the borrower from the concerned branch?

2.2 What type of action you suggest/convey decision to the branch after studying the report of the branch about borrower's irregularity/incipient sickness?

2.3 Whether you immediately convey sanction for adhoc facilities for the borrower?

2.4 What steps do you take if the borrower's proposal (credit limits) are within your powers?

2.4.1 Whether you make a study about the reasons of irregularity/incipient sickness?

2.4.2 Whether group officer and technical officer from your office makes a visit for genuineness of the reasons?

2.4.3 Whether you call the borrower for discussing the problems? Whether you find any difficulties?

2.4.4 After arriving at the decision about the sickness of a unit, what type of guidelines you communicate to concerned branch?

2.5 What steps you take if the borrower's proposal (credit limits) are not within your powers?

2.5.1 Whether you just forward the proposal/papers to Central Office or with detailed observations on the same and with your recommendations?

2.5.2 How much time is taken in receiving a decision about the declaration of the unit 'Sick' from Central Office?

2.5.3 What type of guidelines/instructions you receive in the matter?

III VIABILITY DECISION:

3.1 Whether your office have a system of making a viability study of a Sick unit? Pl. explain in detail

3.2 How much time is taken for making such viability study and conveying the same to concerned branch?

3.3 How much time is taken for receiving the decision about the viability of a Sick Unit from Central Office?
IV REHABILITATION DECISION:

4.1 Whether you find any difficulties in preparing a rehabilitation package for a concerned Sick Unit? (Please specify)

4.2 Any delay is occurred at your end for taking a decision about rehabilitating a particular Sick Unit and also conveying the same to concerned branch?

4.3 How much time normally is taken for receiving the rehabilitation decision from Central Office, if the proposal is under the purview of Central Office?

4.4 What is your experience about the following - (BIFR referred Accounts)

A. Period taken by BIFR for fixing the rehabilitation package

B. Terms and conditions stipulated in the package

C. Any problems/difficulties you come across after conveying the decision to sick unit owner

D. Your specific observation about the BIFR hearing that you have attended

E. Problem like borrower's non-cooperation regarding fixation of the package, workers grievances in case a condition about retrenchment of excess staff is stipulated by BIFR etc.

V IMPLEMENTATION OF A REHABILITATION PACKAGE:

5.1 Whether you find any difficulties in implementing the rehabilitation package? Please explain in case of SSI Sick Units, Medium Sick Units - (BIFR and Non-BIFR accounts.)

5.2 How much time is taken between deciding about the rehabilitation and its actual implementation?

5.3 In case of BIFR referred cases what type of specific difficulties you come across when your bank is a leader in consortium or when your bank is a member of consortium?

VI MONITORING:

6.1 How you monitor the performance of Sick Units put under rehabilitation programme? Whether the contents and quality of monitoring reports received from branches
and/or regional office are satisfactory and really useful in deciding future strategies?

6.2 In case of serious irregularities or non-compliance of certain conditions stipulated in package, what sort of immediate action/decision your office initiate?

6.3 Whether, according to you, the internal monitoring system has proved useful in making efforts towards early rehabilitation of sick units?

6.4 Whether you receive expected feedback from the external monitors appointed?

6.5 In case of resistance from borrower to appoint external monitor or chartered accountant for verification of security, What sort of action you initiate?

6.6 In case of nominee directors are appointed in certain accounts, what is your experience regarding quality of reporting, usefulness of the system etc.?

VII SUCCESS OR FAILURE:

7.1 According to you, how the success in rehabilitation of a unit should be judged? Pl. elaborate

7.2 How the failure in rehabilitation should be evaluated? Please explain.

7.3 How you look the both success and failure from the rehabilitation bench?

VIII REPORTING:

8.1 On receipt of guidelines/circulars from Central Office whether you,

   a) just forward the copy of circular to field office/branches under your control

   OR

   b) make indepth study, analysis/discuss with concerned executives/senior officers from your office and then issue a new circular by making necessary modifications?

8.2 How you evaluate the role played by your office being acting as a Key Catalyst between Branches and Central Office, particularly in handling the sick units portfolio?
8.3 Is the present system of reporting at various levels (through periodical statements, notes etc.) is adequate? Do you observe any duplication in the same?
8.4 Do you think that considering the increasing number of sick units and more stake blocked, the present delegation of powers are adequate? Please comment.
8.5 Whether Sick Unit Cell is established in your office as per the Central Office guidelines? If not, what are the constraints you faced in forming such cell?
8.6 How far sick unit Review committee meetings are proving useful in solving various problems regarding poor recovery, tardy identification, slow pace in rehabilitation of Sick Units etc?
8.7 Whether you find any difficulties in getting coordination from Government departments/organisations or other Institutions?

IX SPECIFIC PROBLEMS:
9.1 If you have any specific problems in performing the job of rehabilitation of sick units? Please specify.

X SUGGESTIONS:
10.1 Please offer your specific suggestions, if any, for strengthening the system of identification, reporting, monitoring and followup, towards early rehabilitation of sick SSI and Medium Scale Industrial Units.
APPENDIX - IV

QUESTIONNAIRE FOR BRANCH LEVEL OF THE SELECTED BANK

NAME OF BRANCHES:

TYPE OF BRANCH: VERY LARGE/EXTRA LARGE/SCALE III/II/I
(PL.TICK)

I GENERAL:

1.1 Total Advances to Industrial Sector : Rs._____Lakhs
- Of which to SSI Sector : Rs._____Lakhs
- Of which to Medium and Large Sector : Rs._____Lakhs

1.2 Total Number of Sick Units And Amount outstanding
- Of which under SSI category - No/Rs.____Lakhs
- Of which under M+L category - No/Rs.____Lakhs

1.3 Break up of Sick Units : Viability category wise
(Rs. in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th>SSI</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Amt.</td>
<td></td>
<td>(-of which BIFR)</td>
</tr>
<tr>
<td>No. Amt.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A) Total Sick Units

B) - Of 'A' above potentially viable Units (PV)

C) - Of 'B' above - put under nursing (PUN)

D) - Of 'B' above - not put under nursing (NOT PUN)

E) Potentially non-viable units (PNV)

F) Of 'E' above suit filed (SF)

G) Of 'E' above not suit filed (NSF)

I) Accounts rehabilitated during the period
II IDENTIFICATION :

2.1 How you identify the unit as sick/irregular? Please specify/tick on the following basis:

A. Conduct of cash credit account
B. Unpaid Instalments of term loan
C. Verifying stock statement
D. Frequent Bouncing of cheques
E. Assessing Financial Statement (Quarterly Information System) Balancesheet of a unit i.e. cash loss, negative net worth.
F. Any other signals

2.2 After identifying the sickness/irregularity, whether you discuss and warn about the same to the borrower? What is the reaction thereof of the borrower?

2.3 Further, whether you report to your higher authority immediately about the same to seek guidance for further action? OR

Whether you within your powers sanction some adhoc facilities after considering the genuiness of reasons for irregularity/sickness since it is necessary for the unit to run the business.

2.4 Whether you receive specific instructions in the matter from higher authorities?

2.5 In your opinion, what are the normal reasons of sickness (For Small Scale Unit And for Medium Scale Unit)

2.6 Whether you rely on the reasons of sickness given by the unit? OR

If not, whether you verify the genuineness of the information. By applying following measures -

A. By visiting the factory by yourself or alongwith a technical officer from your branch/regional office.
B. By making enquiry in the market or with other banks
C. Any other.

2.7 How much time is taken for deciding about a unit as 'sick'?
III VIABILITY DECISION:

3.1 How you ensure about the viability of the unit? Whether your regional office conducts such viability study either internally by technical/special officer OR by appointing any outside consultant/chartered accountant?

3.2 How much time is taken for deciding about the viability of the unit?

IV REHABILITATION DECISION:

4.1 After deciding the viability of the unit how much time is taken for deciding about its rehabilitation?

4.2 Once the decision about rehabilitation of a unit is taken, whether you discuss with the borrower about the same and call for necessary information/proposal from him? How much time is taken for receiving such required information?

4.3 Whether you find any difficulties/problems in preparing a rehabilitation proposal such as

A. Non-cooperation by the borrower

B. Non-availability of required circulars/guidelines of Central Office

C. Inadequate/non-competent staff/officers in your office

D. Non-cooperation from other banks/financial Institutions in providing necessary/confidential information in case of consortium finance/joint finance.

E. Any other specific problems

4.4 How much time is taken between forwarding a rehabilitation proposal to your higher authorities and getting a sanction of the same? (Please give details as of SSI unit, Medium/BIFR referred unit)

4.5 After conveying the decision of sanction to the borrower about the rehabilitation package, whether borrower gives consent for the terms and conditions stipulated therein? If not, whether the borrower refuses and gives non-cooperation? (Please specify)

4.6 If a unit (eligible under SICA act) approaches to BIFR/AAIFR, how much time is taken to receive the sanction of rehabilitation package at your end?
V IMPLEMENTATION OF A REHABILITATION PACKAGE:

5.1 What type of difficulties/problems you face while implementing a rehabilitation package? (Please give details about SSI, Medium (BIFR, Non-BIFR) units separately.)

5.2 How much time is taken in implementing a rehabilitation package?

VI MONITORING:

6.1 How you monitor the performance of a unit after implementing the rehabilitation package?

6.1.1 Whether any officer from your branch/regional office is earmarked as internal monitor for the same?

6.1.2 Whether he regularly monitors and gives the feedback about the performance by paying visits to the unit, by studying timely QIS statements etc?

6.1.3 Whether he finds any problems in the job of monitoring the unit?

6.2 Any outside consultancy firm (Technical or Financial) is appointed as ‘External Monitor’ for the unit put under rehabilitation programme?

6.2.1 Whether you receive reports regularly from the external monitor?

6.2.2 If any serious irregularity is observed by him, what type of action you initiate?

6.2.3 Whether, according to you the reports submitted by external monitor are of quality and as per the expectations?

6.3 Is there a system for verification of security in case of large borrowal Sick Units?

6.3.1 If any outside firm is appointed for such verification, whether you receive the report in scheduled time (eg. half yearly, yearly) and with required details? Pl. comment.

6.4 In case of renewal of documents whether you receive cooperation from the borrower? If not specify the problems.
6.5 In case of non-implementation of rehabilitation package, what type of action is initiated? Either you on the basis of instructions from higher authorities, initiate a legal action for recovery or go for compromise proposal?

VII SUCCESS OR FAILURE:

7.1 How you attribute the 'success' of rehabilitation of unit from your branch? Pl. give specific reasons/remarks.

7.2 What are the reasons for 'failure' of a unit which was put under rehabilitation programmes but could not succeed? Pl. give reasons and your views.

7.3 How you look the both success and failure from the rehabilitation bench (i.e. from the banker's side)

VIII REPORTING:

8.1 Whether you receive circulars/guidelines from central Office/Zonal/Regional Office regularly? Do you have system of maintaining a file for important circulars, system of maintaining a register?

8.2 Do you find any duplication of statements/information to be submitted to various authorities of the bank?

8.3 Do you feel the present officer staff is adequate and capable enough considering the advances portfolio of your branch, particularly in dealing with the sick units?

8.4 Have you or any officer from your branch received training about identification and rehabilitation of sick units?

IX SPECIFIC PROBLEMS:

9.1 If you have any specific problems, in performing the rehabilitation package please specify.

X SUGGESTIONS:

10.1 Please offer your specific suggestions, If any, for strengthening the system of identification, reporting, preparation of rehabilitation package etc.
APPENDIX - V

QUESTIONNAIRE FOR OTHER ZONES/REGIONS OF THE BANK

   
   b) Do you think these circulars are sufficiently elaborate? Yes/no.

2. Do you find any duplication of work in reporting/rendering information to Central Office/Government Authorities/RBI? Yes/no.
   (If yes, pl. explain)

3. Do you receive regular information/feedback from branches/regions regarding sick units? Yes/no.
   (If not, pl. explain)

4. What are the difficulties/problems you face while dealing with sick units? (particularly Medium and Large)
   (Pl. give information in short regarding cooperation, submission of information etc.)

5. Whether the 'Zonal Committee Review meetings' are proving useful in deciding future plans regarding revival of sick units?

6. Whether the available staff at your zone/region is sufficient in number and qualifications? Yes/no.
   (If not, pl. explain your ideas)

7. Whether regular survey of sick units of your zone be made by Central Office? Yes/no.
   (If yes, pl. explain your ideas regarding contents, grey areas, period etc.)

8. Whether establishment of FORUMS of sick unit cells from all banks at your zone will be of use in exchanging views/ideas, declaring information of sick units etc.? Yes/no.

9. Whether you require any BOOKLET comprising of important circulars, laws, developments etc. regarding Sick Units? Yes/no.
   (If yes, pl. give your ideas in short)
10. What more do you expect from the Central Office (Rehabilitation Department) regarding increasing your operational efficiency? (Pl. explain in short)

11. Though Prevention is better than cure, considering the amount blocked in sick units, bank should give more weightage to cure? (Pl. elaborate)

12. Whether you find any difficulty/problem in getting coordination from Government agencies/officers, institutions etc.? Yes/no. (If yes, pl. explain)

13. Any Suggestions
   a) Specific  b) General
APPENDIX - VI

QUESTIONNAIRE FOR SICK UNIT OWNER OF THE SELECTED BANK

IDENTIFICATION DATA

1.1 Name of the Unit:

1.2 Place of Location:

1.3 Year of Establishment:

1.4 Business Activities:

1.5 Constitution:

1.6 Is the Unit located in an industrial estate? YES/NO

1.7 Size of Business (Total Assets): Rs.

1.8 Is the Unit financed under the following:

- Registered SSI unit
- Rural Industry/Cottage Industry
- Ancillary Unit
- Women Entrepreneur Scheme
- Physically handicapped
- Self-employed/Professionals
- Others (specify)

1.9 Is the Unit registered as a SSI/Ancillary Unit?

1.10 Since when the unit dealing with the Bank? (Mention the year)

1.11 Age of the entrepreneur:

1.12 Educational background of the entrepreneur:

1.13 Professional/Business experience before starting the unit.
II PROJECT ASPECT

2.1 How much time did you take to commence the commercial production from the date of sanction of the loan by the bank? (In months)

2.2 (i) Did you implement the project and commence commercial production as per the original time schedule and within the original cost estimates? YES/NO

(ii) If no, what were the reasons for project over-run?

- Delayed arrival of the machinery
- Delayed supply of power supply
- Natural calamities
- Hike in the original price of machinery etc.
- Delayed sanction of bank loan
- Any other (Please specify)

2.3 (i) Have you been able to pay the term loan installments to the bank regularly? YES/NO

(ii) If no, state the reasons.

- Cash losses on continuous basis
- Heavy private borrowings
- Natural calamities
- Others (specify)

2.4 If cash losses are experienced by your unit, what are the reasons for the same?

- Project over-run

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2.5 Did you seek the help of the bank to overcome the problems attributing to cash losses? YES/NO

2.6 If yes, please state the nature of assistance received by you from the bank for solving your problems particularly in the area of management of funds:

- Proper counseling
- Introduction of cash budgeting
- Persuading the customer to make early payment
- Ad-hoc sanctions
- Others (specify)

If no, state the reasons:

2.7 Did the bank insist you to approach a consultant for preparation viability study? YES/NO

2.8 (i) Has your project been assessed as a viable project by the bank? YES/NO
(ii) If yes, whether the rehabilitation scheme is prepared in the light of viability study? YES/NO

(iii) If yes, please indicate concessions/reliefs under the scheme.

--

|   | Concessions in the rate of interest
--

|   | Margin Money
--

|   | Moratorium period
--

|   | Funding of interest
--

|   | Rescheduling of payment of interest arrears
--

|   | Others (specify)

REHABILITATION ASPECT:

3.1 (i) Are you satisfied with the relief and concessions offered by the bank as a part of rehabilitation scheme? YES/NO

(ii) If no, what suggestions would you like to offer?

--

|   | Need based assistance
--

|   | Lower promoters' contribution
--

|   | Any other (Please specify)

3.2 (i) How much time was taken by the bank for working out the rehabilitation scheme from the date of submission of your application for rehabilitation assistance? (Days)

(ii) What was the time taken by the bank for the sanction of the rehabilitation package after it was approved? (Days)

3.3 (i) Do you think that the time taken by the bank for preparation of the rehabilitation scheme was reasonable? YES/NO
(ii) If no, what, according to you, is the reasonable period? YES/NO

If yes, please state the problems.

- Delayed arrival of machinery
- Not possible to arrange for promoters' contribution
- Technical Problems
- Demand recession
- Others (specify)

3.5 After implementation of rehabilitation scheme, whether your unit has overcome initial problems? YES/NO

3.6 If the business results are satisfactory in terms of profit generation as per your expectations, have you been able to repay the bank dues as per the approved rehabilitation scheme? YES/NO

(i) If the business results are not satisfactory in terms of profit generation as per the rehabilitation scheme, what may be the reasons?

- Marketing problems
- Production problems
- Liquidity Problems
- Others (specify)

4.1 GENERAL

4.1.1 Do you expect any non-financial help from the bank in the form of counselling services in key areas such as maintenance of accounts, selection of product and location, planning and control, market survey, etc.? YES/NO
4.1.2 If yes, are you prepared to bear a reasonable cost if you are called upon to pay? YES/NO

4.2.1 Has the bank organized Borrowers Meet during the recent past? YES/NO

4.2.2 If yes, what are your experiences?

4.3 Would you like to offer any other suggestions for improving the bank services towards early revival of sick unit? (Please specify)
## SWOT Analysis: In Respect of the Selected Nationalised Bank

<table>
<thead>
<tr>
<th>STRENGTH</th>
<th>WEAKNESSES</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Potential personnel</td>
<td>2. Absence of Human Resource Development policies, absence of reward and punishment policy</td>
<td>2. Better business opportunities under Liberalised Environment</td>
<td>2. High percentage of non-performing assets because of blocking of credit in sick units which are nonviable</td>
</tr>
<tr>
<td>5. Willingness of employees at field to work</td>
<td>5. Sanctioning powers regarding reliefs/concessions towards rehabilitation finance standardized</td>
<td>5. Survival of corporate banking</td>
<td>5. Survival of corporate banking</td>
</tr>
<tr>
<td>6. Absence of Developed procedures for fetching good results towards revival of sick units</td>
<td>6. Absence of Developed procedures for fetching good results towards revival of sick units</td>
<td>6. Absence of Developed procedures for fetching good results towards revival of sick units</td>
<td>6. Absence of Developed procedures for fetching good results towards revival of sick units</td>
</tr>
<tr>
<td>7. Weak Data Base at central office about industries and their sickness, especially SSI units</td>
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</tr>
<tr>
<td>8. Barriers in coordination, communication at different levels</td>
<td>8. Barriers in coordination, communication at different levels</td>
<td>8. Barriers in coordination, communication at different levels</td>
<td>8. Barriers in coordination, communication at different levels</td>
</tr>
</tbody>
</table>

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### APPENDIX - VIII

**COMPUTER PROFORMA FOR BIFR / MEDIUM SCALE SICK UNITS**

<table>
<thead>
<tr>
<th>A Name of The Unit</th>
<th>B Name of the Branch / zone</th>
<th>C Name of Other Banks/Fin. Insts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>LIMITS SANCTIONED (DETAILS)</td>
<td>LIMITS SANCTIONED (DETAILS)</td>
</tr>
<tr>
<td>Constitution, Size</td>
<td>HEALTH CODE BALANCES D/S</td>
<td>BALANCES D/S</td>
</tr>
<tr>
<td>NAMES OF PROP./PARTNERS/DIRECTORS</td>
<td>SANCTIONING AUTHORITY</td>
<td></td>
</tr>
<tr>
<td>PATTERN OF SHAREHOLDING</td>
<td>LAST REVIEW/RENEWAL</td>
<td></td>
</tr>
<tr>
<td>YEAR OF INCEPTION</td>
<td>DETAILS OF SECURITY</td>
<td></td>
</tr>
<tr>
<td>TYPE OF ACTIVITY</td>
<td>WHETHER REPORTED TO RBI UNDER</td>
<td></td>
</tr>
<tr>
<td>MARKETABILITY OF THE PRODUCTS</td>
<td>CREDIT MONITORING ARRANGEMENT</td>
<td></td>
</tr>
<tr>
<td>A1 REASONS FOR SICKNESS :</td>
<td></td>
<td>C1 IN CASE OF CONSORTIUM ACCOUNTS</td>
</tr>
<tr>
<td>YEAR OF SICKNESS</td>
<td>EFForts/ACTIONS MADE AT -BRANCH</td>
<td>EFForts/ACTIONS MADE/TAKEN BY</td>
</tr>
<tr>
<td></td>
<td>REGIONAL/ZONAL</td>
<td>CENTRAL OFFICE</td>
</tr>
<tr>
<td></td>
<td>EFFORTS MADE BY THE UNIT</td>
<td>CONDUCT OF THE ACCOUNT</td>
</tr>
<tr>
<td></td>
<td>TO OVERCOME THE ODDS/DIFFICULTIES</td>
<td>SACRIFICE MADE</td>
</tr>
<tr>
<td></td>
<td>FINANCIAL RESULTS OF THE UNIT</td>
<td>SACRIFICE BY BANK/ FINANCIAL INSTITUTIONS</td>
</tr>
<tr>
<td></td>
<td>(DETAILS OF MAJOR FIN. INDICATORS)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A2 CHANGES OCCURRED</td>
<td>B2 YEAR OF REF TO BIFR IMPORTANT</td>
</tr>
<tr>
<td></td>
<td>AFTER BIFR DECISION</td>
<td>CONTENTS OF THE NOTE SUBMITTED TO</td>
</tr>
<tr>
<td></td>
<td>YEAR OF TURNAROUND</td>
<td>BIFR. IMPORTANT CONTENTS OF THE</td>
</tr>
<tr>
<td></td>
<td>DETAILS OF POSITION AFTER</td>
<td>BIFR MEETING. DETAILS REG. STAND</td>
</tr>
<tr>
<td></td>
<td>TURNAROUND</td>
<td>TAKEN BY THIS BANK, OTHER F.I.S/BKS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DECISION GIVEN/TAKEN BY BIFR (DETAILS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OF RELIEFS) INCLUSIVE CONSNS/PACKAGES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ETC.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B3 POSITION OF THE ACCOUNT AFTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td>REHABILITATION</td>
</tr>
</tbody>
</table>

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OTHER DETAILS

1. Period for which the unit remained sick.

2. Time taken in reporting the sickness of the unit -
   from branch to Zone/Region.
   from Zone/Region to Central Office.

3. Time taken in reporting the case C.O. to BIFR

4. Time taken in decision making declaration proposal etc.
   by BIFR to concerned Bank / Financial Institution.

5. Time taken in implementing the scheme (declared by BIFR)
   at bank / Financial Institution Level.

6. Reasons for delay if any (in reporting / communicating /
   decisions making / implementing the scheme) like
   a. Delay in reporting by branch/zone to c.o.
   b. Delay in assessment of sickness
   c. Communication barriers etc.

7. Details reg. cooperation/Non-cooperation by the sick unit etc.

8. Any other imp. points to be noted/given relevent to the above.

9. Details reg. viability study undertaken by outside consultant / Tech. Officer of the bank.

10. Details reg. Operating Agencies nominated by BIFR etc.
APPENDIX - IX

PROFORMA FOR ASSESSING IRREGULARITY / INCIPIENT SICKNESS IN CASE A UNIT.

<table>
<thead>
<tr>
<th>Zone</th>
<th>Region</th>
<th>Branch</th>
<th>Health Code</th>
</tr>
</thead>
</table>

**ASSET CLASSIFICATION (PERFORMING/NON-PERFORMING)**

1. Name of the Unit

2. Address
   a. Office
   b. Factory Whether backward area.

3. a. Constitution: PROP/PARTNERSHIP/LIMITED/
     PRIVATE LIMITED/HUF/COOPERATIVE.

   Name of the Prop./Partner/
   Director.

   b. SSI Registration Year
      (If any)

4. Activity/Type of Industry (e.g. Engg., Chemical, Elec. etc.)

5. Whether having any collaboration (If yes, P1. give the details)
   e.g. Name, Country, Equity share etc.

   YES/NO

6. Infrastructure availability
   a. Raw material and the capacity of the plant.
   b. Labour - (Skilled / Semi-skilled / Unskilled) (No. of workers)
   c. Machinery (Indigenous/imported)
   d. Electricity Water etc.
e. Land-Self owned/freehold/leasehold. Lease from MIDC etc.

f. Connection to roadway/railway

g. Nearness to market.

7. Marketability
   (Type of Customers)
   INDIGENOUS
   FOREIGN;
   (Export)

   Whether Clientele Limited
   or Broad based.

8. Management
   Competency
   a. Professional/Family
      (Qualification Experience) /
      First generation entrepreneur
   b. Under self employed /
      Professional / Female
      Entrepreneurship / Physical
      Handicapped/forced
      Entrepreneur/Induced
      entrepreneur.

9. Banking with this bank
    since:
    a. Bank’s experience
       on management
       i. Competence
       ii. Integrity
       iii. Fin. soundness
    b. i. Adherence to Fin.
       Discipline.
       ii. Govt. Control
       iii. Inventory system
       iv. Services granted by C.A.

10. Type of facilities
    sanctioned by this Bank
    (Funded & Nonfunded)
    a. ORIGINAL
    b. ADDITIONAL
    c. ADHOC
    d. EXTRA
    e. SECURITY DETAILS

11. Whether under Joint/
    Consortium Arrangement

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12. Any Subsidy availed from other Bank/Fin. Inst./ State Govt./ Gove. Body like MSFC/WMDC etc.

13. Account Irregularity - Term Loan/Bills Facility/ Cash Credit (pl. see annexure I, II & III)
   (Details: Remarks)  
   a) Irregularity period from
   b) Reasons of Irregularity
   c) Type of irregularity

14. Whether it can be concluded that incipient sickness is setting in
   Remedial measures suggested.

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ANNEXURE NO. I

1. TERM LOAN

<table>
<thead>
<tr>
<th>AMOUNT SANCTIONED</th>
<th>VALUE OF SECURITY</th>
<th>AMOUNT DISBURSED</th>
<th>AMOUNT OUTSTANDING</th>
</tr>
</thead>
</table>

OVERDUES/IRREGULARITY

a. Amount of instalments in arrears
b. Interest in arrears (Number of Quarters)
c. Total i.e. (a)+(b)
ANNEXURE NO. II

BILL FACILITY

LIMIT

Particulars of Bills Purchased/Discounted

a. No. of Bills Purchased/Discounted
b. Amount of Bills Purchased/Discounted

Irregularity (i.e. excess of outstanding above the limits)

Number of Bills Purchased/Discounted

Out of the above

No. of bills returned unpaid

Amount of bills returned unpaid

Percentage of returning

On the basis of Number

On the basis of amount
ANNEXURE NO. III

CASH CREDIT FACILITY

LIMIT

VALUE OF SECURITY

DRAWING POWER

BALANCE OUTSTANDING

Irregularity in the accounts (i.e. excess of outstanding above drawing power)

FORCED LOAN
Letter of Credit / Deferred Payment Guarantee
APPENDIX - XI

SCOPE FOR FURTHER RESEARCH

1. During the present era of liberalisation and fierce competition from private as well as foreign banks, nationalised banks being the largest purveyors of finance to industrial sector have to play a very crucial role. From the social point of view nationalised banks have to make efforts for revival of sick industries by extending rehabilitation finance, also from the economic point of view, these banks have to be very cautious about adverse effects of Non-Performing Assets on their profitability.

Thus, these banks have to strike a balance between the extent of reliefs to be provided to sick units and the resultant loss of revenue on one hand; and the need for revival of the sick units to ensure productive employment and quick recovery of the banks' own dues already given to such units on the other hand.

Hence, it is necessary and important for the bank to know in advance whether the rehabilitation finance to be extended to a sick unit, would revive the unit by bringing additional burden of loss to the bank with slow recovery or it would be wise to recover the dues from that unit through legal action. For this it would be a matter of further research to make a "Cost-Benefit Analysis", which requires to calculate the cost of rehabilitation per sick unit (which is already explained at suggestion No.3A of chapter V) and cost of recovery per sick unit. The cost of recovery per unit
includes total recovery on one side and total dues overheads like legal expenses, administrative cost incurred on the unit by the bank on the other side. Another vital factor to be considered while calculating the cost of recovery would be "loss of income due to non-payment of dues within the stipulated period by that unit" which can be termed as "Opportunity Cost". The Cost-Benefit Analysis can be applied according to size of industry i.e. SSI, Medium or Large.

2. Calculation of quantum of Non-Performing Assets of the bank is of immense value. However, as per the present practice / guidelines of the RBI the NPA calculation is made according to sizewise advances i.e. Advance below Rs. 25000, from Rs.25,000 to Rs.2,00,000, from Rs.2,00,000 and above. However with this the bank cannot have the knowledge about NPA quantum in particular size of industry i.e. SSI or Medium / Large. Actually this data, if available, can be of greater use for the bank to calculate the rate of return / yield on credit already extended to particular size or type of industry. The said exercise can also be made through research by undertaking a comparative study of two banks i.e. profit making bank and loss making bank.