



Ref : KSFC/HO/MD/ED(F)/1952/2008-09

Date : 02.03.2009

**CIRCULAR No.850**

Sub : Notional takeover under Section 29 of SFCs Act.

*:-o:0:o:-*

Guidelines were issued vide Circular No.872 dated 03.04.2002 stating that the concept of notional takeover of assets under Section 29 must be compulsorily explored wherever possible without prejudice to the rights of the Corporation to bring the assets for sale for the reason that the notional takeover of assets will not burden the Corporation as well as the party in terms of security charges / custodian charges. Though in spirit, the said provision was found merited, in practice it has proved counter productive.

Apart from this, under the guise of notional takeover of assets, the promoter is allowed to run the unit without committing himself to pay the earnings towards his liabilities. Further, the experience of the Corporation in selling the assets notionally taken over has been mostly unsuccessful for the reason that the prospective buyer hesitates to purchase the unit whose possession is still with the promoter. There are instances where even after the sale of assets taken over notionally, the Corporation has found it difficult to hand over possession of the assets for the reason that the promoter has refused to vacate / handover possession of the assets and such instances have entangled in judicial / police proceedings.

As seen from the past experience, the Corporation has made several attempts to bring the notionally taken over assets for sale and the outcome has not been encouraging as most of the assets have remained unsold even after several attempts.

Therefore, the matter was examined in its entirety. It is apparent that the



procedure of notional takeover of assets has more disadvantages to the Corporation than advantages. The gains it has brought are minimal.

In view of the above, it has been decided to do away with the procedure of notional takeover of assets under Section 29 forthwith. The Branch Managers and the Department Heads in HO are hereby instructed to physically take over the assets of all such units which are notionally taken over and bring the assets for sale immediately through public auction. However, if required, for compelling reasons, this shall be done only with the prior approval of ED(O) in respect of Head Office cases and ED(F) in respect of Branch Office cases and the Managing Director in respect of all the cases.

This will come into force with immediate effect.

Sd/-,  
MANAGING DIRECTOR

All BMs

All ZMs / DGMs of Super 'A' Branches / IA cells

All Principal Officers / Section Heads in HO

All General Managers

Library

EDs - for information.