

One Time Settlement of NPAs in Micro and Small Enterprises Sector.

In order to extend timely and adequate assistance to potentially viable Micro and Small Enterprises (MSE) units which have already become sick or are likely to become sick, the Bank shall announce from time to time, Scheme for One Time Settlement (OTS) of NPAs in Micro and Small Enterprises sector, as per guidelines issued by Reserve Bank of India. Accordingly, a separate scheme is devised for the one time settlement of NPAs in Micro and Small Enterprises Sector.

Scheme for One Time Settlement (OTS) for NPAs under Micro and Small Enterprises (MSEs)

This will be a non-discretionary and non-discriminatory scheme, applicable for units originally classified as Micro and Small Enterprises (MSEs) at the time of granting the credit facility.

MD & CEO is empowered to fix validity period of this scheme.

In the case of loans guaranteed & / sponsored by various agencies, approval of such agency is to be obtained for OTS, wherever applicable / required.

Eligibility for the Scheme

The Scheme will cover all the loans in MSE sector as defined in the MSMED Act, 2006 which had turned into NPA at least six months prior to the date of submission of OTS proposal.

Units in respect of which cases are pending before Courts / Adalats / DRTs / NCLTs will be eligible, wherein decree / final order is not passed.

Units in respect of which the Bank has issued notice U/s 13(2) of SARFAESI Act, 2002 will be eligible under the scheme wherein the actual possession of security properties and / or other further actions are not taken.

Eligible accounts referred for Revenue Recovery action under State Recovery Laws will be eligible, subject to requisite charges, if any payable to Government, being recovered separately and remitted to the State Authorities.

Accounts under consortium or multiple banking arrangements will also be eligible to be covered under the scheme, subject to the compliance of restrictive covenants, if any contained in the consortium agreement.

Accounts wherein secured assets are sold and recovered part of dues, the scheme is applicable for settlement of the balance dues.

Ineligible cases

Cases of fraud, malfeasance and wilful defaults will not be eligible to be considered under the scheme.

Accounts wherein any of the secured assets are sold either through Court / Tribunal or through proceedings under SARFAESI Act, 2002 and full dues is recovered are not eligible to be considered under the scheme.

Accounts wherein OTS is sanctioned under this scheme once and the borrower failed to comply with the terms of settlement are not eligible.

Settlement

- a) While arriving at OTS amount, the value of tangible security and age of NPA will be the basic criteria.
- b) The borrower shall deposit 5% of the net balance outstanding as on the date of submission of OTS application to prove his / her genuineness / willingness for OTS, failing which the application will not be processed. In the event the application for OTS is rejected by the Bank, such initial deposit, which is kept in a separate payable account, will be refunded without interest, within three months.
- c) All norms, except norms of computation of OTS amount, applicable to compromise settlement of NPAs, followed in the Bank will be applicable for this scheme also.
- d) OTS amount shall be arrived at as indicated in the table below: -

Loans sanction limit up to and including Rs.10 Lakhs		
Category	Fully Secured Loans *	Unsecured Loans*
Sub Standard	Net Balance outstanding in books + 4% Simple interest from date of NPA till realization on diminishing basis	90 % of Net Balance outstanding in Books
Doubtful (D1, D2,D3) and Loss	Net Balance outstanding in books	75% of Net Balance outstanding in Books
Loans with sanction limit above Rs.10 Lakhs		
Sub Standard	Net Balance outstanding in books + 5 % Simple interest from date of NPA till realization on diminishing basis	90% of Net Balance outstanding in Books
Doubtful (D1, D2 & D3) and Loss	Net Balance outstanding in books	75% of Net Balance outstanding in Books

* Security position at the time of considering the OTS proposal.

- e) In the case of loans secured partially, the loan amount is to be bifurcated as
 - secured to the extent of security available
 - the remaining as unsecured portionand settlement amount arrived as per the above table for the secured portion and unsecured portion separately.
- f) Expenses incurred by the Bank, such as legal expenses, security charges, insurance charges, recovery charges etc. shall be added to the OTS amount to be remitted by the borrower for settlement.
- g) The borrower shall deposit 25% of the OTS amount upfront on receipt of sanction letter, including the amount deposited along with the application for OTS. The balance 75% of the OTS amount is to be paid, without interest, within the time stipulated in the sanction letter.
- h) However, in cases where the borrowers commit default in keeping up the above time frame for settlement, the balance OTS amount can also be paid within a maximum period of three months from the date of settlement stipulated while sanctioning OTS subject to the payment of delayed period interest at Bank's 1 year MCLR plus 2% prevailing on the date of settlement under OTS scheme.
- i) If the amount of OTS is not remitted within the time stipulated above, OTS will stand cancelled henceforth and no separate notice or communication will be issued by the Bank to the borrower. The Bank will initiate appropriate actions for recovery of the amount due from the borrower.
- j) The OTS proposals under this Scheme can be approved by the Approval Committees, as per the delegation of power/authority as specified in Policy on NPA Recovery of the Bank