

Scheme for One Time Settlement of NPAs in Micro and Small Enterprises Sector

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

2. The scheme will be valid up to 31st December, 2016.

3. Applicability :

Only such of those Non-Performing loans/advances of sick units in MSE sector will be eligible to be considered under the Scheme. A MSE is considered 'sick' when –

Any of the borrowal account of the enterprise remains NPA for three months or more,

OR

There is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth.

4. While arriving at OTS amount, the value of tangible security and age of NPA will be the basic criteria.

5. Eligibility for the Scheme

- a) The Scheme will cover all NPAs in respect of Micro and Small Enterprises as defined in the MSMED Act, 2006.
- b) Units in respect of which cases are pending before Courts / DRTs / BIFR will be eligible, where in decree is not passed.
- c) Units in respect of which the Bank has issued notice u/s 13(2) of Security Interest Act (SARFAESI-2002) will be eligible under the Scheme wherein actions u/s 13(4) is not taken.
- d) Eligible accounts referred for Revenue Recovery action under State Recovery Laws will be eligible, subject to requisite charges, if any payable, being recovered separately and remitted to the State Authorities.
- e) Accounts under Consortium or Multiple Banking arrangements will also be eligible to be covered under the proposed Scheme, subject to approval by 75% of the lenders by amount.

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

6. Ineligible cases

- a) Cases of fraud, malfeasance and willful defaults will not be eligible to be included under the Scheme.
- b) The accounts where suits/ OA have already been decreed and accounts wherein settlement is arrived at Lok Adalat, mediation and other alternative dispute Redressal mechanism and award is passed will not be eligible to be covered under the Scheme.
- c) The accounts wherein possession of any of the secured assets is taken under SARFAESI Act, 2002 is not eligible.
- d) Accounts wherein any of the secured assets are sold either through Court or through SARFAESI proceedings and full dues is recovered are not eligible for the Scheme.
- e) Accounts wherein OTS is sanctioned as per the Scheme once and the borrower failed to comply with the terms of settlement are not eligible.

7. Settlement

- a) The borrower has to deposit 5% of the amount outstanding as on the date of NPA at the time of submission of the application to indicate his willingness for OTS, failing which the application will not be processed. In the event the application for OTS is rejected by the Bank, such payment, which is held in a separate account, will be refunded without interest, within three months.
- b) All norms applicable except norms of computation of OTS amount and relevant for compromise settlement of NPAs, as being practised by the Bank at present will be applicable for this Scheme also.

Indicative OTS amount would be calculated as **Balance Outstanding as on NPA Date + Simple Interest from the date of NPA till the date of sanction** as shown below:

<i>Value of Security and Age of NPA</i>	<i>Interest Rate</i>
Total security value is above 100 % of total dues where the age of NPA is less than 3 years	Current Base Rate + 5 %
Total security value is above 100 % of total dues where the age of NPA is between 3 years and up to 10 years	Current Base Rate + 4.5 %
Total security value is above 100 % of total dues where the age of NPA is greater than 10 years	Current Base Rate + 4 %
Total security value is between 25% - 100 % of total dues where the age of NPA is less than 3 years	Current Base Rate + 3.5 %

<i>Value of Security and Age of NPA</i>	<i>Interest Rate</i>
Total security value is between 25% - 100 % of total dues where the age of NPA is between 3 years and up to 10 years	Current Base Rate + 3 %
Total security value is between 25% - 100 % of total dues where the age of NPA is greater than 10 years	Current Base Rate + 2.5 %
Total security value is less than 25% of total dues where the age of NPA is less than 3 years	Current Base Rate + 2 %
Total security value is less than 25% of total dues where the age of NPA is between 3 years and up to 10 years	Current Base Rate + 1.5 %
Total security value is less than 25% of total dues where the age of NPA is greater than 10 years	Current Base Rate

- c) Subsequent remittances received after the account turning NPA will be deducted from the Net Balance as on the date of NPA, for arriving at the compromise amount.
- d) 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.
- e) The borrower has to 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 a maximum period six months from the date of sanction of OTS.
- f) However, the balance amount can also be paid within 12 months from the date of sanction of OTS (the validity period) together with interest at Bank's Base Rate plus 5%.
- g) If the amount of OTS is not remitted in terms of the OTS approved by the Bank, the approval for 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 NPA due from the borrower.
- h) The OTS proposals under this Scheme can be approved by the Approval Committees, as per the delegation of power/authority granted by the Board of Directors for approving compromise settlement of NPAs, as specified in the NPA Recovery Policy of the Bank

The Managing Director & CEO of the Bank will be the authority to dispose off complaints, if any, from the borrowal units.