

# TIIC

## ONE TIME SETTLEMENT (OTS) POLICY OF TIIC

### 1 Introduction

1.1 The Tamilnadu Industrial Investment Corporation Ltd. (TIIC) has been providing assistance under various schemes to a variety of projects benefiting the MSMEs. Though sufficient care is being taken in assessment of projects / borrowers with appropriate appraisal standards, disbursal processes and follow up measures, not all projects are found to be operating on expected lines due to various internal and / or external factors, resulting in lower cash flows and thereby leading to defaults. While in some cases it may be possible to grant need based relief / concessions to help the assisted borrower unit / company overcome the temporary liquidity constraints or draw a rehabilitation package in case of a potentially viable sick unit, at times, the borrower unit / company may be facing long term problems with structural deficiencies and thereby may not be able to operate on sustained profitable lines. In the circumstances, it would be desirable to find an exit route from the account, as early as possible, and in such cases One Time Settlement (OTS) of dues would be seen as an appropriate tool. Similarly, in respect of suit filed cases, where the security is not adequate and / or the progress in the case is sluggish, out of court settlement could be considered for suitable exit from the account. In case of units in operation, but not found to be in a position to generate adequate surplus to service the debt on a long term basis even after examining the possibility of restructuring, OTS option could be considered on merits in such

cases.

## **1.2 One Time Settlement of dues**

One time settlement refers to a negotiated settlement where a borrower offers to pay, in full and final settlement of its dues, an amount less than the total amount due to the lending financial institution / bank, under the relative loan contract. This settlement invariably involves a certain sacrifice by the lending financial institution / bank by way of write off and / or waiver of a portion of its dues on a onetime basis.

## **1.3 Benefits of One Time Settlement of dues**

An important aspect with settlement proposals is the concept of Opportunity Cost of Funds. The opportunity cost of funds in hand vis-à-vis that of funds, which could come in hand at a later period should be calculated to establish a comparative advantage of 'now' or 'later'. Assessing compromise proposals on the basis of Net Present Value will give a pragmatic dimension to the approach in recovery of NPAs. Resolution of Non-Performing Assets through One Time Settlement is an effective non-legal remedy due to twin advantages of availability of immediate liquidity and income generation by recycling of funds otherwise blocked. Under One Time Settlement, TIIC endeavours to recover maximum amount in minimum time, with minimum expenses.

## **2 Reserve Bank of India Guidelines:**

**2.1** According to RBI any policy on settlement of non-performing loans is essentially a management function to be exercised by individual banks, based on their commercial judgement. It is necessary that the banks have their own non-discretionary OTS policy which enables their officials to make quick and judicious decisions on OTS.

**2.2** The Corporation shall ensure compliance with the general guidelines given by

RBI on the subject as detailed below:

- The authority approving the settlement proposal did not sanction the advance in question in his individual capacity. However, the hierarchy level of sanctioning committee may be the same as the approval authority.
- That the sanctioning authority in the case of advances had exercised his powers judiciously and adhered to the guidelines issued by the Corporation in the matter of grant of advances and that normal terms and conditions were stipulated.
- That there was no act of commission or omission on the part of the staff leading to the debt proving irrecoverable.
- That all possible expedient steps to recover the dues have been taken and there are no further prospects of recovering the debt in the normal course and that the settlement proposal is in the larger interest of the Corporation.
- Corporation may enter a compromise settlement with willful defaulters / fraudulent borrowers without prejudice to the criminal case, if any, against the borrower and those cases of compromise settlement should be vetted by appropriate delegated authority.
- While entering into compromise settlements in NPA accounts, the Corporation shall ensure that the Net Present Value (NPV) of the settlement amount should generally not be less than the net present value of the realizable value of securities.

### **3 One Time Settlement Policy in TIIC**

**3.1** The OTS scheme of the Corporation initially formulated in 1988 has been modified from time to time. The last such revision was made during November 2014. As per existing policy OTS dues could be considered for all NonPerforming Asset (NPA) accounts excluding Sub-Standard category.

**3.2** However, keeping in line with the OTS policy adopted by many banks /

financial institutions, it is now proposed to extend OTS to Sub-Standard category accounts also, where security deterioration is likely to happen or borrowers have incurred genuine business losses. Thus, this policy aims to frame guidelines to undertake compromises in respect of all NPAs, including accounts which were technically written off (as per the asset classification) at the end of the previous financial year and continue to be in NPA category at the time of OTS application.

#### **4 Objectives of OTS Policy of TIIC**

The basic objective of the OTS Policy of TIIC is to maximize recovery of dues out of Non-Performing Assets and technically written off cases. The other allied objectives are:

- To bring uniformity and objectivity in approach
- To ensure that all deserving cases are duly attended to and an appropriate OTS formula applied expeditiously
- Reasonable amount is recovered, before erosion in value of assets
- To avoid expensive recovery and prolonged legal proceedings
- To bring in empathetic approach in OTS settlement

#### **5. Guiding Principles of OTS Policy of TIIC**

To negotiate for an amicable OTS settlement, wherein both parties to the deal, viz., TIIC and the borrower unit / company, perceive benefit(s) / advantage(s) under the negotiated settlement, as successful settlement is generally possible only in a win-win situation.

To highlight the motivating factor i.e. benefits of finding an honourable exit from the existing liabilities to the borrower unit / company by way of savings in time, energy and expenses towards defending legal action.

To ensure that recovery of dues under OTS is made to the maximum extent possible and with minimum sacrifice, expenses and time.

Besides, TIIC would gain by avoiding loss of interest income and the requirement to make provisions in its books of accounts, out of its profit, in terms of extant prudential guidelines. Above all, TIIC would benefit by avoiding hardships in realizing the dues, through protracted legal procedures.

## **6. Eligibility**

- All NPAs, including accounts which were technically written off as the end of previous financial year and continue to be in NPA category at the time of OTS

application. The asset classification for One Time Settlement, however, shall be considered borrower wise not account wise.

- OTS is applicable for all type of loans, except for financial assistance extended under Bill Finance Scheme.

### **6.1. Category of Assets to be covered under OTS**

As per the prudential norms, NPAs are classified into different asset categories viz. Sub-standard, Doubtful and Loss Assets. Thus, this policy aims to frame guidelines to undertake One Time Settlement in all the three asset categories including accounts, which were technically written off.

#### **6.1.1. Coverage of Sub Standard Assets under OTS**

- i. In justifiable cases, competent authority can entertain / approve compromise settlement with a reasonable sacrifice, where security deterioration is likely to happen or borrowers have incurred genuine business losses. However, the account should have been classified as Sub-standard assets, as on the last date of the previous Financial Year and continue to be in NPA category at the time of OTS application.
- ii. Besides, where there is a loss of security charged to the Bank on account of natural calamities such as floods, earthquakes, riots, civil commotion, strikes,

fire accidents, etc., acquisition of securities by the Government agencies and similar other circumstance, which are beyond the control of the borrower, Competent Authority can entertain / approve compromise settlement with a reasonable sacrifice.

- iii. Further in cases where, consequent to the issue of notice under SFCs Act / SARFAESI Act and taking possession of securities, etc., if the borrower comes forward for a compromise settlement, in justifiable cases, compromise settlement proposals can be entertained.

#### **6.1.2. Coverage of Doubtful and Loss Assets under OTS**

Both doubtful and loss assets are chronic NPAs by nature as the chances of recovery in these accounts through normal course either by up-gradation of the account to standard category or for complete closure of the account are remote / bleak. The continuation of these assets would necessitate provision of substantial amounts, which will have a direct bearing on the profitability of the Corporation. As a measure to recover the dues out of this category of assets, One Time Settlements could be preferred.

#### **6.1.3. Coverage of Technical Written Off Accounts under OTS**

The write off of cases in books of accounts is only technical in nature and purely for internal accounting purpose only. The spirit behind the write off of accounts in books is to maintain transparency and to reflect true picture of the health of the Corporation. The technical write off is without prejudice to our right to recover dues from the borrower. Further, in respect of some of these accounts which were backed by sufficient tangible securities, the Corporation had filed suit to recover the dues. As settlement of these cases through legal process is time consuming, branches may prefer negotiated settlements, for

early recovery of dues, under OTS guidelines.

## **7. Coverage of proposals from wilful defaulters / cases of suspected fraud under OTS**

**7.1** The benefits of OTS Scheme should normally not be extended to cases of wilful default, suspected fraud or malfeasance committed by unscrupulous borrowers. However, OTS offers in such cases would be approved by the following delegated authorities depending upon the size of loan availed:

- Loans upto Rs.5.00 lakhs : RSC
- Loans above Rs.5.00 lakhs and upto Rs.10.00 lakhs : DRC
- Loans above Rs.10.00 lakhs : Board

**7.2** In case a borrower has obtained loan from the Corporation by making fraudulent representation or otherwise committing any fraud, as far as possible, efforts should be made to recover the entire amount of the loan. This is necessary to ensure that a person committing fraud is not allowed to benefit from commission of such fraudulent acts.

**7.3** In spite of the above basic policy requirements, there will be cases where it is not possible to recover the full amount and the borrower is coming forward to offer settlement. While negotiating such offer, it must be made clear that recovery of the loan taken by the borrower and the criminal action for the fraud committed by him are two separate and distinct matters. It should be clarified at the outset that if the settlement proposal as given by the borrower is accepted, such settlement will relate only to the recovery proceedings and shall not automatically, in any way, affect the criminal action taken by the Corporation, which shall continue.

**7.4** In such cases, a specific clause should be incorporated stating that the settlement agreed between the parties shall not in any way affect or be

construed as settlement of on-going criminal cases / proceedings pending in the Court against the borrowers.

**7.5.** The Officers / employees who are required to appear as witness in the criminal proceedings should be advised that although the Corporation has accepted the settlement proposal given by the borrower, there is no settlement regarding the criminal proceedings initiated against the borrower. Such Officer or employee should be advised to make this position clear, when he is examined as witness in the criminal proceedings.

**7.6** However, in exceptional cases decision to withdraw criminal case can also be considered on settlement by the Board.

## **8. Coverage of two or more units / Group Companies under OTS**

OTS proposals from two or more units / companies, which belong to the same group and considered at the same time, should be examined 'in totality' and accordingly the proposals shall be submitted to the appropriate delegated authority for consideration.

## **9. Coverage of Suit filed / Decreed cases under OTS**

In the case of Suit filed or Decreed accounts, the possibility of a compromise settlement under OTS could be explored by BOs keeping in view the following guidelines:

- In the context of the time involved in the legal process, the OTS option in Suit filed / Decreed cases should be evaluated taking into account the Net Present Value of the realizable value (in relation to the OTS offer), legal cost and time involved, possible deterioration in the quality of assets and further increase in the overdues to the Corporation.
- In the event of the agreed OTS payment not forthcoming and legal recourse being pursued again, the decreed amount / ledger outstanding, as the case may be, should be taken into consideration for pursuing the case in DRT/Court.

## **10 OTS in respect of NCLT / Winding up / High Court / DRT cases**



In respect of cases already referred to NCLT or Companies which are under the orders of winding up, it will not be possible to obtain the OTS proposal directly from the borrowers, unless specific approval from NCLT / Court is obtained. However, in case the OTS offer is received from the guarantors / mortgagors to settle the dues of the borrower unit / company, a prior confirmation in writing should be obtained from the guarantors / mortgagors, concerned to the effect that the OTS amount would be paid out of resources to be arranged by them, in their personal capacity, and the BOs should satisfy themselves of such arrangement for payment before issuing / accepting the OTS Application Form.

## **11 Parties to negotiate with under OTS**

One Time Settlement may be negotiated with:

- Principal Borrower/s,
- Guarantors
- Parent Company,
- Other interested parties like legal heirs, purchaser of charged assets of the Corporation (subsequent buyers), tenants, etc.

OTS offer should be received in writing.

### **Procedures / Guidelines to be followed under OTS Policy of TIIC**

## **12 OTS Application Form**

- 12.1** With a view to streamlining the procedure and ensuring that necessary information is furnished by the borrowers at the time of approaching the Corporation for OTS, a structured *OTS Application Form* has been prescribed. The Branch Offices can issue the form to the borrower unit / company after being satisfied that entertaining the OTS offer would *prima facie* be in the interest of the Corporation. BOs should also ensure that the borrower unit / company furnishes the prescribed OTS Application Form, providing complete details specified therein and duly signed by its authorised official / person.

**12.2** Details to be furnished along with OTS application are given below:

- i. Present net worth of promoters / guarantor (For loans disbursed above Rs.10 lakhs).
- ii. Last three years audited working results of borrowing unit / company and provisional working results for the incomplete financial year.
- iii. Payment of processing fees.
- iv. Down payment.
- v. Source of funds to remit the OTS amount.
- vi. Reason for default
- vii. Factors affecting unit function

**13 Receipt of Down payment under OTS**

At the time of receipt of the OTS Application Form from the borrower unit / company, upfront payment to the extent of at least 15% of the principal outstanding amount should be collected to evidence commitment to the OTS process. In case the borrower unit / company has genuine difficulty to make the down payment, relaxation may be made after getting due approval from the Managing Director. If the proposal is not approved under OTS for some reason or other, the down payment received shall be adjusted to the loan account and the borrower may be informed in writing accordingly. However, if the down payment is remitted by a third party on behalf of the unit / company the amount so received shall be kept in Follow-up Deposit account and in case the OTS offer is not found acceptable by the Corporation, such down payment would be refunded without interest.

**14 Timelines for processing proposals under OTS**

It is now proposed to fix timelines for processing of OTS applications as given below:

Approving Authority	Period
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BSC	30 days
RSC	60 days
DRC / Board	90 days

## **15 Examination of OTS Proposal**

### **15.1 Essential factors**

Essential factors that need to be kept in view while pursuing OTS are:

- The quality of the security available and the age since the account turned NPA.
- Asset classification and provision made in the Corporation's books.
- Net Present Value of the Realisable value of the security charged and for loans disbursed above Rs.10 lakhs net worth of the borrower / promoter(s) / guarantor(s).
- Present status of the borrower unit / company and its financial performance.
- Possibility of better recovery through other means, including through legal recourse.
- Envisaged means of raising funds by the borrower / promoters for meeting the OTS payment.
- Consideration / approval of OTS by other lenders and comparison of terms thereof with that offered to the Corporation.
- Impact of the OTS proposal on the Corporation's profitability.

### **15.2 Examination of OTS proposal would involve the following steps**

#### **15.2.1 Examination of need for coverage under OTS Scheme**

On the basis of various factors discussed above, BOs should be satisfied with the reasons to pursue OTS route for exit from an account by the borrower considering the benefits in this regard to the Corporation. Sometimes, there

could be a tendency on the part of some of the borrowers to try for an OTS route, seeking waivers from the Corporation, even when they have sufficient capacity to pay off the entire dues. Such borrowers should not be entertained under OTS scheme. The benefit of OTS should be extended only in cases, where there is a long term deficiency in the account, the borrower / guarantors do not have means to pay the entire dues and/or it is felt desirable to exit from the account.

### **15.2.2 Analysis of the borrower's financial performance**

The Balance sheets and Profit & Loss Accounts of the borrower unit / company for the last 3 financial years and for any applicable period in the ongoing financial year should be analysed to know:

- i. Whether the unit's / company's turnover is increasing or its net worth is showing improvement, thereby indicating that it is operating well / is on the road to recovery. If yes, the justification for seeking OTS should be ascertained and, if warranted, a higher OTS amount should be negotiated.
- ii. Whether the unit / company has been providing for depreciation and interest, yet not making payment to the Corporation. In such cases, proper justification for such practice should be ascertained.

### **15.2.3 Assessment of sources of funds for making OTS payment**

The sources from which the borrower unit / company proposes to bring in the funds for OTS and the possibility of raising the same within the prescribed period would need to be satisfied upon.

### **15.2.4 Obtention of latest net-worth of promoters / guarantors (For loans**

**disbursed above Rs.10 lakhs)**

At the time of receipt of the OTS Application Form, the latest net-worth statement(s) of promoter(s) / guarantor(s) should be obtained. In case of reasonably good net-worth and keeping in view of the realizable value of security, a higher OTS amount should be negotiated.

**15.2.5 Examination of compromise settlement(s) with other lender(s)**

In the case of multiple / consortium financing, details of settlements reached, if any, with other lender(s) to the borrower unit /company should be obtained and examined. The offer made to TIIC should then be compared with the offers made / settlement reached with other lender(s). If necessary, negotiations should be held with the unit/company to improve the OTS offer.

**16 Valuation of Security Assets**

**16.1 Valuation of Assets**

**16.1.1** As any compromise settlement would generally involve sacrifice on the part of the Corporation, the assets charged to the Corporation should be got valued by an empanelled valuer, to assess its realizable value. Based on the realizable value, alternative courses of action should be weighed upon. While comparing the realizable value of assets with the recoverable dues, the net fixed assets, wherever possible, as per latest balance sheet should also be looked into to satisfy that any variance with the realizable value given by the valuer is reasonable. Reasons for such variation, if warranted, should be commented upon, while recommending the case for OTS. A second valuation shall also be done by the Branch Manager, as a matter of abundant caution.

**16.1.2** All properties / assets charged should be valued properly by the Corporation approved panel engineers / valuers / surveyors at the time of One Time

Settlement, as per the Corporation's Valuation Policy - TIIC/HO/Project/02(a)-08/P292/2012-13 dated 6.6.2012 and TIIC/HO/Project/02(a)-4/P292/2013-14 dated 6.6.2013, to enable the Corporation to negotiate for maximum / higher settlement amount.

**16.1.3** In exceptional cases, where valuation of assets is not found possible due to valid reasons, the net fixed assets as per the latest Balance Sheet or the net fixed assets arrived at after providing for eligible depreciation at the applicable rates could be considered for the purposes of realizable values, with prior approval of the Managing Director. The position in this regard should be properly brought out in the OTS memorandum submitted to the competent authority.

## **16.2 Valuation Report – Validity**

The extant guidelines of the Corporation on valuation of securities in the case of NPAs stipulate that Sanctioning Authorities while considering Compromise Settlements should ensure that **the valuation of securities is not more than one year old.** In view of escalation in real estate valuation, field level functionaries have been advised to obtain latest valuation (with Realisable value of securities) on receipt of OTS proposal and compare the same with the latest existing valuation. **It is to be ensured that the Approved Engineers are providing Market Value, Realisable Value and Distress Sale Value in the valuation reports.** Besides the report shall mention the classification of property viz. commercial / residential / industrial / agricultural and location of property i.e. Corporation / Municipal towns / Villages.

### 16.3 Realisable Value - Validity

The realizable value should be based on valuation carried out as on a recent date, preferably after receipt of the OTS offer. Such valuation if already done, should normally not be more than one year old. At the time of offering the assignment to the valuer, it should be made clear that the realizable value of the assets, which would be the possible realization that the Corporation could expect out of their immediate sale, should be clearly indicated.

## 17 Net Present Value (NPV)

17.1 Reserve Bank of India, vide their circular dated 04.10.2007, has advised that during compromise settlements, the OTS amount should generally be not less than the Net Present Value (NPV) of the realizable value of available securities. The NPV of realizable value of available securities should be assessed objectively.

17.2 Thus, if in any case OTS proposed to be accepted is less than the NPV of securities, **the reason therefor should be clearly spelt out**. NPV of realizable value of available securities has to be compared with the OTS amount offered. Efforts should be made for maximizing recovery.

17.3 Following aspects are to be taken into account while calculating NPV of securities:

(I) NPV of securities is to be computed only on **Realisable Value** of the securities and not on the Market Value. It is the responsibility of the BOs to ensure that Guideline Value (GV), Market Value (MV), Realisable Value (RV) and Distress Sale Value (DSV) are furnished in the Engineers Valuation Reports.

**Realisable value only to** be taken for computation of NPV.

- (II) When two valuation reports have been obtained, higher of the two Realisable values should be reckoned.
- (III) NPV to be arrived at after deducting cost of realization from the Realisable Value. The Cost of realization to be determined as under:
  - (a) Where the RV is upto Rs.100 lakhs : 5% of RV of the security.
  - (b) Where the RV is more than Rs.100 lakhs : 3% of RV of the security.

**NPV, net of cost of realization will be reckoned as the NPV of the security.**

- 17.4** The Net Present Value is arrived at based on future cash flows. It factors the time taken for realizing a particular amount. It is the present value of amount/s that may be recovered at a future date/s. Assuming that the likely time that may be required to realize the value of security is two years, the NPV of that asset/s today will be less than the realizable value. It is arrived at by discounting the Realisable Value of the available security and is calculated by applying a discounting rate, with annual compounding.
- (i) For arriving at NPV of the realizable value of the available securities, BOs have to calculate the NPV by applying the discount rate. The rate to be applied is 10%.
  - (ii) The discounting factor for finding out NPV of future amount at different discounting rates is shown in a separate table given below. The Realisable Value of Securities (net of cost of realization) should be divided by the factor for the specific discount rate for the specific number of years.



- (iii) The number of years to be applied is the time taken for realization of securities which depends upon case history, type of property, location of property, etc. The number of year / time limit for this purpose should not exceed for:

Sl. No.	Classification	Corporation Limits	Municipal Limits / Towns	Villages
1.	Commercial properties	1	2	3
2.	Houses / Residential properties, plots	1	2	3
3.	Industrial properties	2	3	3
4.	Agricultural Land	2	3	3
5.	Plant and Machinery	3	3	3
<p><i>If the asset is under possession for more than 5 years or auctioned for more than 3 times, then NPV may be arrived by discounting for 4 years, irrespective of the type and location of property.</i></p>				

*Where there are different types of securities available in the same borrowal account, NPV net of cost of realization for each type should be calculated by applying the relevant discounting factor for the relevant year and sum of the different NPVs (net of cost of realization) to be compared with the OTS amount.*

FACTOR FOR ARRIVING NPV	
Period	Discount rate to be applied
1 Year	1.1000
2 Year	1.2100
3 Year	1.3310
4 Year	1.4641

To get Net Present Value, divide the Realisable Value less cost of realization by the above factor.

## 18. Definition of the terms used in the OTS Policy

Crystallization date	The last date of the preceding month, when the OTS request is submitted along with down payment.
Memorandum of interest	Deferred interest in respect of units under possession, units where the entire primary assets have been disposed off, loss assets, missing units, written off cases which is debited in a separate memorandum of interest sheet as per Circular TIIC/HO/F&R/12/04/2005 dated 5.5.2005.
Total dues	<p>Total dues is the Principal + Interest + Memorandum of interest + Funded Interest (if any) + Interest on Funded Interest on the crystallization date.</p> <p>In respect of suit filed accounts, which are yet to be decreed, total dues to be calculated with Book Balance plus Interest at the rate as claimed in the suit plus other dues.</p> <p>In respect of decreed suit filed accounts, total dues to be calculated as per decretal terms awarded by the Court / DRT plus other dues.</p>
Notional Dues (ND)	<p>Outstanding balance as on the date of NPA (Principal plus Interest as on the date of NPA)</p> <p>(+) Simple interest for D2 cases &amp; below and Compound interest for Sub-standard &amp; D1 cases on the outstanding balance at the rate charged to the unit during the tenure of the loan from the date of NPA upto crystallization date, which is the month ended prior to OTS request.</p> <p>(+) Amount disbursed after the date of NPA (along with interest thereon)</p> <p>(+) Interest waived after the account turning into NPA, if any</p> <p>(-) Repayment made in Principal and Interest after the date of NPA (irrespective of appropriation)</p>

Net Present Value (NPV)	Net Present Value of securities is computed by discounting realizable value of securities, net of cost of realization, as applicable at a discount rate of 10% for the realization periods stipulated for various securities.
Sacrifice (waiver)	Total dues minus OTS amount approved

## 19 Minimum Settlement Amount

	Category of loan	Minimum Settlement Amount	ated Authority
	As under Loss & Written off category, without any asset back up as on the last date of previous financial year	of Principal O/s (or) 5% of amount disbursed, whichever is higher, plus 10% of other dues.	BSC
	As including written off with loan disbursed upto Rs.1.00 lakh with asset back up (with primary/collateral in the form of land/building/machinery) as on the last date of previous financial year.	nt equal to the Principal disbursed reduced by remittances (or) 5% of Principal disbursed, whichever is higher, plus 10% of other dues.	BSC
	As including written off with loan disbursed above Rs.1.00 lakh and upto Rs.5.00 lakh with asset back up (with primary/collateral in the form of land/building/machinery), including all transport loans under TAHDCO scheme & semi-automatic looms as on the last date of previous financial year.	nt equal to the Principal disbursed reduced by remittances (or) 10% of Principal disbursed, whichever is higher, plus 25% of other dues.	BSC
	As including written off with loan disbursed above Rs.5.00 lakh and upto Rs.10.00 lakh, with asset back up and security in the form of machinery/vehicle only (without any security in the form of land/building) as on the last date of previous financial year.	nt equal to the Principal disbursed reduced by remittances (or) 10% of Principal disbursed, whichever is higher, plus 25% of other dues.	BSC
	As including written off with loan disbursed above Rs.5.00 lakh and upto Rs.10.00 lakhs with asset back up (with primary/collateral in the form of land/building/machinery), including all transport loans under TAHDCO scheme & semi-automatic		

<p>looms as on the last date of previous financial year.</p> <p>a. Loans sanctioned prior to 01.04.2008</p> <p>b. Loans sanctioned after 01.04.2008</p>	<p>mes the Principal disbursed reduced by remittances (or) 25% of Principal disbursed, whichever is higher, plus 25% of other dues.</p> <p>pplicable to loans disbursed above Rs.10.00 lakhs.</p>	
<p>As including written off with loan disbursed above Rs.10.00 lakhs, including Short Term Loans, Hire Purchase and Lease Finance as on the last date of previous financial year.</p> <p><b>Sub-standard and D1 cases</b></p> <p><b>For D2 cases and Below</b></p>	<p><b>Additional Dues :</b>                  Outstanding Balance as on the date of NPA (Principal plus interest as on the date of NPA)  <b>Compound interest</b> on the Outstanding balance at the rate charged to the unit during the tenure of the loan from the date of NPA upto crystallization date, which is the month ended prior to OTS request                  Amount disbursed after the date of NPA (along with compound interest thereon)                  Interest waived after the account coming into NPA, if any payment made after the date of NPA (irrespective of appropriation)                  ₹                  OTS amount to cover IRR of 13%.  <b>Present Value</b> of the realisable value of securities counted at 10% for applicable years  <b>Minimum OTS amount:</b>                  Greater of (a) or (b) or (c) plus other Dues</p> <p><b>Additional Dues :</b>                  Outstanding Balance as on the date of NPA (Principal plus interest as on the date of NPA)  <b>Simple interest</b> on the Outstanding balance at the rate charged to the unit during the tenure of the loan from the date of NPA upto crystallization date, which is the month ended prior to OTS request                  Amount disbursed after the date of NPA (along with simple interest</p>	

		<p>ereon)          erest waived after the account          ning into NPA, if any          payment made after the date of          PA (irrespective of appropriation)          R          S amount to cover IRR of 13%.          t <b>Present Value</b> of the          alisable value of securities          counted at 10% for applicable          rs  <b>imum OTS amount:</b>          er of (a) or (b ) or (c) plus other dues</p>	
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	For all seed capital / soft loan cases and in the category of NPA including written off as on the last date of previous financial year.	ent amount will be arrived both for term loan and soft loan together, based on the parameters described above.	
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**Note:** The unit approaching for OTS should be an NPA as on the last date of previous Financial year and continue to be in NPA category on the date of OTS application.

## 20 Impact of OTS on TIIIC's Profitability

The memorandum on OTS proposals should suitably highlight the impact of OTS on the Corporation's profitability with regard to interest and other recoverable charges and write-back of provisions already made in the books, besides any write off/ sacrifice in terms of principal / interest and other charges. Impact on the Corporation's profitability relating to the different heads should be suitably mentioned in the memorandum.

## 21 Screening and Approval of OTS Proposals

All OTS proposal will be processed by the respective Branch Offices / Field Offices and will be placed before the Screening Committee for recommendation and Approving Authority, for approval as given below:

Sl. No.	Category of Loan	Screening Committee	Approving Authority
1	All NPA cases under loss & written off category, without any assets back up  a) Regular Cases  b) Wilful Defaulters: i) Loans upto Rs.5 lakhs ii) Loan above Rs.5 lakhs upto Rs.10 lakhs iii) Loans above Rs.10 lakhs upto Rs.25 lakhs iv) Loans above Rs.25 lakhs	No screening   BSC BSC BSC RSC	BSC   RSC DRC Board Board
2	All NPA cases, including written off upto loan disbursed upto Rs.5.00 lakhs, with assets back up  a) Regular cases  Wilful defaulters	No screening   BSC	BSC   RSC

<b>Sl. No.</b>	<b>Category of Loan</b>	<b>Screening Committee</b>	<b>Approving Authority</b>
3	All NPA cases, including written off with loan disbursed above Rs.5 lakhs and upto Rs.10 lakhs, with assets back up and security in the form of m/c. and vehicle only  a) Regular cases  b) Wilful defaulters	No screening  BSC	BSC  DRC
4	All NPA cases, including written off with loan disbursed above Rs. 5 lakhs and upto Rs.10 lakhs, with asset back up in the form of land and building  a. Regular cases  i. Sanctioned prior to 01.04.2008  ii. Sanctioned after 01.04.2008  b. Wilful defaulters  i. Sanctioned prior to 01.04.2008  ii. Sanctioned after 01.04.2008	No screening  BSC  BSC  BSC	BSC  RSC  DRC  DRC
5	All NPA cases, including written off with loan disbursed above Rs.10 lakhs  a. Regular cases  i. Loan upto Rs.25 lakhs  ii. Loan above Rs.25 lakhs  b. Wilful defaulters  i. Loan disbursed upto Rs.25 lakhs  ii. Loan above Rs.25 lakhs	BSC  RSC  BSC  RSC	DRC  DRC  Board  Board

## **22 Communication of OTS Approval**

On receipt of communication regarding approval of OTS proposal by the approving authority, the OTS approval letter, in the format prescribed, should be issued to the borrower unit / company. It should be ensured that all the terms & conditions, as stipulated by the approving authority, have been duly incorporated in the OTS approval letter. The OTS approval letter could be issued by the Branch Manager, as per the extant DoP.

## **23 OTS – Payment Terms**

The OTS payment terms should be broadly structured on the following lines:

- The OTS amount should normally be paid in one lump sum, within a period of one month, from the date of issue of OTS approval letter to the borrower unit / company
- Where the borrower unit / company is not able to pay the OTS amount in one lump sum, a reasonable portion of the crystallised OTS amount should be insisted for payment, upfront
- In such a case, 20% of the approved OTS amount should be made payable as first instalment, within one month of issue of the OTS approval letter
- The balance amount should be made payable, within a short period thereafter, and in any case not exceeding 6 months from the date of issue of OTS approval letter, preferably in five equated monthly instalments.

## **24 Follow-up Aspects**

The OTS approval accorded by the Corporation might not necessarily result in full recovery of the settlement amount in case the borrower unit / company does not honour its commitment. It would, therefore, be prudent to maintain proper follow-up in the OTS cases also. The normal follow-up requirements such as renewal of insurance policy, periodic site visits, calling for progress reports /



financial statements, wherever applicable, should be ensured to the extent possible as per the extant instructions, so as to take care of the Corporation's interests.

## **25 Extension of OTS Payment period**

The condonation of delay in settlement of accounts may be considered on merits, with applicable interest, as detailed below by:

- a) the Regional Manager, if the settlement is within 1 year
- b) the Managing Director, if the settlement is beyond 1 year and upto 2 years

The condonation of delay of more than two years in settlement of account under OTS, for the units in exceptional cases, will be considered by the Board, with applicable interest, on case-to-case basis

## **26 Payment of Interest during OTS period**

While settling the account under OTS, the settlement of account vis-à-vis charging of interest, till date of settlement, will be as under:

- i.No interest need to be paid, if the account is settled within one month.
- ii.For settlement beyond one month upto one year period, Simple Interest at 13.00% p.a. or at the interest rate applicable for OTS cases at the time of settlement of loan, whichever is higher, will be charged from the crystallization date till the date of settlement.
- iii.Beyond one year, if the concern is coming forward for settlement, then for the first year, Simple Interest at 13.00% p.a. or at the interest rate applicable for OTS cases at the time of settlement of loan, whichever is higher, will be charged and then for the period from second year onwards

compound interest at 13.00% p.a. or the interest rate applicable for OTS cases at the time of settlement of loan, will be reckoned for compounding the interest at quarterly rests from the crystallization date, till the date of settlement.

## **27 Approval of Changes / Modification in Terms of OTS**

Any changes / modification or relaxation in the terms of the OTS approval, other than the extension of payment period, can be considered only by the delegated authority, which had earlier approved the OTS proposal (or any official duly authorised by the delegated authority for the purpose), subject to overall conformity of the proposal to the extant OTS guidelines. Any change in the original terms of the OTS approval being agreed to should be communicated to the borrower unit / company and should also be got duly accepted by the authorised official / person of the borrower unit / company.

## **28 Withdrawal of OTS approval**

In respect of cases where the borrower unit / company is not found to be honouring the OTS payment, even after persistent follow up, it would be necessary to withdraw the OTS approval and initiate / pursue appropriate legal action for recovery of the Corporation's dues. The powers for withdrawal of approval in respect of all OTS cases should be done as per the extant DoP. The initiation / pursuing of legal action could, thereafter, be got approved from the delegated authority.

## **29 Release of Security Documents / Issue of No Dues Certificate**

Only after the approved OTS amount, along with interest thereon, has been received in full as per the terms of OTS approval, the security documents

should be released to the borrower unit / company / other charge holders, as applicable. No Dues Certificate, if required, should also be issued only thereafter. However, in cases where the borrower proposes to pay the Corporation's dues by sale of some of the assets, part release of security documents pertaining to such assets could be considered on merits by TIIC, on case-to-case basis.

### **30 Fresh Assistance in OTS cases**

As a matter of general prudence, wherever the Corporation has entered into One Time Settlement of dues, no fresh assistance should be normally given to the borrower unit / company and its associate concerns.

### **31 General Guidelines**

- (i) In respect of loans sanctioned above Rs.10 lakhs except loss and written off cases without asset back up.
  - a. There shall not be reversal of interest earned / credited to the loan account.
  - b. Waiver shall not exceed the interest outstanding and shall result in collection of the entire principal disbursed and simple interest together with other dues, except the cases where the realizable value is very low.
- (ii) In respect of GES cases covered under Credit Guarantee, where claim has been settled by CGTMSE, OTS settlements will be informed and remitted to CGTMSE
- (iii) The CGTMSE claim received shall not be reckoned while calculating the OTS

amount.

- (iv) Subsidy recovery to be made due to non-compliance of conditions wherever available, shall be collected over and above the OTS amount.
- (v) Wherever borrowers have filed cases against TIIC / made counter claim, settlement under the Scheme shall be subject to withdrawal of the case / counter claim
- (vi) The above settlement schemes do not apply to sanctions under BFS.
  
- (vii) The modified OTS scheme indicated above will not be applicable to those borrowers, where an OTS has already been granted earlier, unless the approval has since been withdrawn / legal action initiated and in such cases the approving authority shall take into account the OTS offers received, earlier..
- (viii) OTS approval will be valid only for one year if part OTS amount is received within 3 months. If no payment is received within 3 months the OTS approval will stand withdrawn.
- (ix) The OTS proposal should be scrutinized by the Regional Audit Cell and their report should form part of the memorandum to be placed before the appropriate Screening / approving authority.
- (x) Files relating to cases, where the OTS amount is based on NPV of Realisable Value, shall be examined by a Fact Finding Team to ascertain whether there are staff lapses and an extract of their report should be incorporated in the OTS proposal.
- (xi) The decision of TIIC regarding eligibility, interpretation of the OTS policy and

offering OTS to individual units shall be final and binding upon the borrower and without prejudice to the rights and remedies available to TIIC relating to recovery, which shall be invariably mentioned in all communications related to OTS settlements.

- (xii) Any relaxation to the OTS policy shall be approved by the Board.

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