

# HSI IDC OTS Scheme - 2012

## 1. SHORT TITLE AND COMMENCEMENT:

This policy may be called HSI IDC OTS Scheme - 2012.

## 2. CATEGORIES OF ACCOUNTS TO WHICH THIS POLICY APPLY

This policy will cover all the accounts of the borrowers/defaulters of HSI IDC which were classified as NPA accounts that have become doubtful or loss as on 31.3.2008. The policy would also cover NPAs classified as Sub-standard as on 31.3.2008 which have subsequently become doubtful or loss assets. For the purpose of determining eligibility, the NPA definition would be as per the guidelines of RBI applicable upto the year ending March 31, 2008. Accordingly, NPA means non performing asset account where interest and/or installment of principal remain overdue for more than 90 days. All accounts where the age of default in installment of principal and/or interest is more than 90 days, the account would be treated as NPA which could be either a sub-standard/doubtful/loss account in terms of classification /guidelines of RBI as prevailing on 31.3.2008, which is as under:

Sr.No.	Category of asset	Default Period
1	Standard Assets	Regular Accounts.
2	Non Performing Assets(NPA)	Default exceeding 90 days
(2.1)	Sub-Standard Assets	Classified as NPA for a period not exceeding 18 months
(2.2)	Doubtful Assets	Classified as NPA for a period exceeding 18 months
(2.3)	Loss Assets	No security available.

Likewise NPA definition for leasing accounts would be as per RBI guidelines as applicable for year ending 31.3.2008.

- i. This policy will be applicable to all NPA accounts irrespective of outstanding balance.
- ii. The policy would also cover cases pertaining to bridge loans/loan availed against state Subsidy, lease assistance, working capital terms loans, bridge loan against working capital & corporate loans.

- iii. The policy will also cover all accounts where the Corporation has taken action under section 29 of SFC's Act, RC issued cases and also cases pending before Courts/DRT/BIFR. However, in the cases which are pending before the Courts/DRT/BIFR, the borrower shall be required to give an affidavit for withdrawal of the case or obtain consent decree from Court(s)/DRT/BIFR.
- iv. The policy would also cover cases where the Corporation had approved settlement under any of the ongoing schemes of the Corporation known as One Time Settlement Scheme(OTS)/under RBI policy as adopted by HSIIDC provided the OTS has not fructified and either the OTS has been withdrawn by HSIIDC or the validity period of the OTS has expired. However, cases where OTS is in force, under any earlier policy, will not be eligible to be covered under this scheme.
- v. The policy would also cover cases where orders for winding up have been passed and the official liquidator appointed and also the cases where BIFR has recommended for winding up of the company.
- vi. This policy shall not be applicable to wilful defaulters as per RBI guidelines which are detailed hereunder:-
  - a. Deliberate non-payment of the dues despite adequate cash flow and good network.
  - b. Siphoning off of funds to the detriment of the defaulting unit.
  - c. Assets financed have either not been purchased or have been sold and proceeds have been mis-utilized.
  - d. Misrepresentation/falsification of record.
  - e. Disposal/removal of securities without bank's/HSIIDC's knowledge.
  - f. Fraudulent transactions by the borrowers.

The RBI guidelines further state that the identification of the willful defaulters should be made keeping in view the track record of the borrowers and should not be decided on the basis of isolated transactions/incidents. The default to be categorized as willful must be intentional, deliberate and calculated.

### **3. SETTLEMENT FORMULA – amount and cut off date**

#### **a. NPAs classified as Doubtful or Loss as on March 31, 2008**

The minimum amount that should be recovered under the policy in respect of compromise settlement of NPAs classified as doubtful or loss as on March 31, 2008 would be 100% of the outstanding balance in the account as on the date on which the account was categorized as doubtful NPA.

**b. NPAs classified as sub-standard as on March 31, 2008 which became doubtful or loss subsequently.**

The minimum amount that should be recovered in respect of NPAs classified as sub-standard as on March 31, 2008 which became doubtful or loss subsequently would be 100% of amount outstanding as on the date on which the account was categorized as doubtful NPA plus interest @ 13.5% p.a (floating) from the cut-off date till the date of final payment.

**c. Lease Finance Cases**

- i. In lease finance cases, the minimum amount recoverable shall be based on the date on which the account became doubtful or the date on which the assets of the unit were taken over/repossessed by the Corporation, whichever is earlier. The amount shall be the principal outstanding as on the cut off date as per the capital recovery method plus the actual expenses incurred by the Corporation recoverable from the party upto the date of settlement. The Corporation must restrict the watch and ward as well as other expenses to the extent of interest (prevailing rate) on the principal amount from the date, the amount became doubtful till the date of settlement.
- ii. Further, in those cases of lease finance where the borrowers were given advances to procure machinery, but the machinery was not procured due to mis-utilization of funds and in such cases the date of default may be the date on which the amount was advanced to the party and the corresponding cut off date for the purpose of calculation of settlement amount may be taken two years after the date of disbursement.
- iii. In all lease finance cases, the residual value may be recovered without interest. This amount shall, however, be over and above the settlement approved, if any.

*In cases where the lease accounts are settled under OTS policy, the sale consideration will be 0.50% of the principal amount as per capital recovery method incorporated in OTS amount under OTS policy plus taxes, thereon.*

- iv. The prevailing guidelines in respect of appropriation of recovery amount according to which any amount received from the borrower is appropriated first towards miscellaneous expenses then towards interest and then towards principal shall not be made applicable in lease finance cases.

- d. The Term "outstanding balance" shall mean the total recoverable from the borrower as on the cut off date as per document terms.
- e. The term "cut off date" with reference to an account means the date on which the account was last categorized as doubtful account and has continuously remained either as such or as a combination of doubtful and loss account since that date.
- f. The settlement amount as above would be the minimum acceptable amount. However, HSIIDC could negotiate with the borrower to recover more than this amount keeping in view factors like security and disposability of the assets.

#### **4. PAYMENT TERMS**

- a. At the time of making application under this policy the borrowers will be required to deposit amount equal to 10% of principal outstanding, in the account as up-front. The company shall have option to pay the full OTS amount without any interest within 60 days from the date of issue of letter.

Alternatively, an amount equal to 25% of the settlement amount shall be payable within one month from the date of approval of settlement by the Corporation, (10% of the amount deposited along with the application shall be adjusted against this demand). The balance 75% of the settlement amount shall be paid within one year from the date of approval of settlement by the Corporation in 11 equal monthly installments together with interest @ 13.5% p.a.(floating) from the date of settlement upto the date of final payment. Interest on the settlement amount shall be required to be paid in 4 quarterly installments.

- b. Any amount received from the eligible defaulting borrower after the cut off date will be adjusted towards the crystallized settlement amount provided that in no case the settlement amount shall be less than principal plus miscellaneous expenses outstanding.
- c. Payment terms (Leasing Cases) :- At the time of making application under this policy the borrowers will be required to deposit amount equal to 10% of principal as per Capital Recovery Method as on cut off date as up front. The modalities for balance payment in case of leasing cases will remain the same as in term loan cases.

#### **5. SANCTIONING AUTHORITY**

*The Sub-committee constituted by the Board for approving OTS in dis-investment cases shall also be the competent authority to take decision on the Compromise Settlement of Chronic Non-Performing*

*Assets as per the provisions of this policy. A quarterly report in respect of cases where OTS has been done will be placed before the BOD for information. In case OTS is done outside the provisions of this policy, the matter shall be placed before the Board of Directors for decision.*

## **6. EFFECT OF THIS POLICY ON CRIMINAL LIABILITIES**

*The settlement under this policy shall be without prejudice to any criminal liability that may arise due to any competent enquiry/investigation.*

## **7. DEVIATION/RELAXATIONS ONLY BY BOARD**

*The Board of Directors shall be competent authority to grant any relaxation in this policy on case to case basis.*

## **8. INTERPRETATION OF THE PROVISIONS OF POLICY**

If any question arises relating to the interpretation of any of the provision of this policy, it shall be referred to the Board of Directors of the Corporation for decision and the decision of the Board of Directors of the Corporation shall be final.

- In the event, any of these conditions are not fructified, the benefit of this scheme will be forfeited and the money received under this scheme shall be considered as if the same was received in the normal course under the account.
- The Corporation shall have a final right to accept or reject any settlement proposal made under this policy with or without assigning any reasons.

**The Scheme will remain open upto 31.03.2013 for receipt of applications from borrowers.**

## **PRE-CONDITIONS FOR ISSUE OF SECOND/SUBSEQUENT CHARGE**

The Second and Subsequent Charges are generally required by the clients in favour of Commercial Banks against their working capital limits. The Client is required to comply with the following:

- Request letter indicating the purpose of the charge;
- The unit should not be in default with the Corporation;

- Where the charge is required in favour of the bank for working capital, a reciprocal consent of the bank ceding second charge against current assets in favour of HSIIDC is required;
- Copy of the sanction letter of the Bank;
- For the purpose of second charge on fixed assets in favour of the Bank and creating second charge on current assets in favour of HSIIDC, a tripartite agreement involving the company, the HSIIDC and the concerned Bank is executed.

**ISSUE OF NO-DUES CERTIFICATE AND RELEASE OF SECURITY DOCUMENTS: --**

For issuing of 'No Due Certificate', all the dues of the Corporation should have been paid.

For release of security documents, there should not be any outstanding dues of the Corporation and also the 'No Due Certificate' from the Institutions in whose favour the pari-passu charge/ second / third or subsequent charge has been issued, should be submitted.

**Units available for sale**

To recover its dues, Corporation takes over the assets mortgaged to it u/s 29 of SFC's Act/Court/AAIFR/BIFR and sell them on 'As is Where is' basis. For information of interested parties the list of such units is given below: