

ANNEXURE-V

MODIFIED ONE TIME SETTLEMENT SCHEME ON HP LOAN
ACCOUNTS
(MFD-OTS-07-SCHEME-HP LOAN)

1. **INTRODUCTION:**

In order to reduce the excessively high level of NPA on account of HP loans within the loan portfolio of OSFC and in accordance with instruction received from the State Government in Industries Department vide their letter No. I-SI-60/2008/2257/I Bhubaneswar dt.16.02.2009, the last OTS policy on HP loan accounts-2007 is modified for consideration and implementation and such modified scheme shall be in the name and style of “**MFD-OTS- 07-SCHEME-HP LOAN**”.

2. **DEFINITION:**

- (i) Date of acknowledgement by concerned Branch shall be the **Date of Application (DOA)**.
- (ii) **Age (period of loan) of loan on weighted average basis** shall mean the sum total of the products of each disbursement of a particular loan with the period of such disbursement of that particular loan from the cut off date divided by the total disbursement of that loan.
- (iii) **Date of communication of the settlement order:**
 - (a) Date of issue of the Settlement order is the date of issue of the Settlement order by the Competent Authority.
 - (b) Due date(s) for payment of Settlement Amount is to be calculated from the date of issue of the Settlement order.
 - (c) If the due date happens to be a public holiday for the Corporation, the next working day shall be accepted/ considered as the due date.
- (iv) **Satisfaction of payment on due date(s):**
 - (a) If the payment within the due date is made through local draft/local bankers cheque / local pay order, it would be accepted as a payment on the said due date, provided that the said instrument(s) are credited within three working days from presentation of such instrument(s) and in such case no interest shall be charged for the period of delay in collection.

- (b) Cheques are also acceptable instrument of payment, if the payment is made within the due date through local cheque(s) it would be considered to have been paid within the due date, but the party shall have to pay interest for the period it takes for actual credit of such cheque(s), to the account of the Corporation.
- (v) **Balance Settlement Amount:**
Balance Settlement amount shall be the unpaid amount/ installments of Settlement amount lying unpaid as on a particular date.
- (vi) **Delayed or default period:**
Settlement amount is normally to be paid by due date(s) as calculated from the date of issue of settlement order. The period of default is to be calculated from the due date till the date of actual payment.

The scheme is detailed below:

3. **COVERAGE AND ELIGIBILITY:**

- (a) HP loan shall be covered under this scheme, if such loan is otherwise eligible for settlement under OTS.
- (b) Cases where the eligible loan(s) were settled under OTS policy of 2005-06 / "OTS policy on HP loan accounts-2007" and the settlement amount has already been paid in full, such case(s) shall not be reopened for consideration under this scheme. However, such cases may avail fresh settlement of dues against existing Cyclone loan(s), RTDM loan(s) and Agency Loans such as Soft loan, Seed loan and Margin Money Assistance from Government earlier being considered as an ineligible loan for settlement. Cases which have already been covered under OTS Scheme of 2005-06/ "OTS policy on HP loan accounts-2007" and have not paid the settlement amount in full may avail the benefit in this Scheme under Switchover option only and can not be considered as new case under any circumstances.
- © All other conditions of coverage and eligibility shall be in the line of para-3 of "MFD-OTS-07- SCHEME-TERM LOAN".

4. **EFFECTIVE PERIOD:**

- i) This scheme shall be effective and shall come into operation from 21.05.2009.
- ii) The last date for receipt of application from new cases under the scheme shall be 20.11.2009.
- iii) The last date for receipt of application from switchover cases shall be one month from the date of operation of this Scheme.

5. **INITIAL DEPOSIT:** 10% of the principal outstanding in the HP loan account as on the date of application along with other provisions as described at para-5 under "MFD-OTS-07- SCHEME-TERM LOAN".

6. **PROCESSING CHARGE:**

All the applicants shall deposit non-refundable processing charge along with the OTS application as prescribed hereunder:-

Sl. No.	Total Disbursement under HP Scheme	Processing charge
1	Up to Rs.5,00,000.00	Rs.1,000.00
2	Above Rs.5,00,000.00 and up to Rs.20,00,000.00	Rs.2,000.00
3	Above Rs.20,00,000.00 and up to Rs.50,00,000.00	Rs.5,000.00
4	Above Rs.50,00,000.00	Rs.10,000.00

7. **PROCEDURE OF APPLICATION:** It shall be the same in the line of para-7 of "MFD-OTS-07-SCHEME-TERM LOAN". Application in the same format prescribed for "MFD-OTS-07-SCHEME-TERM LOAN" mentioning "***Application for settlement of HP loan***" at the top of the application shall be submitted.

8. **PROCESSING OF APPLICATION AND DELEGATION OF AUTHORITY:**

It shall be the same in the line of para-8 of "MFD-OTS-07- SCHEME-TERM LOAN".

9. **SETTLEMENT FORMULAE:** It shall be the same in the line of para-9 of "MFD-OTS-07- SCHEME-TERM LOAN".

10. **COMPUTATION OF SETTLEMENT AMOUNT:**

- (i) **Determination of Band:-** Band mentioned under the Settlement Formula will be decided on the basis of total principal disbursement towards the existing HP loan availed by the loanee/Hirer. However, it will not include disbursement of HP loans already closed.
- (ii) In case of advance EMI scheme, the advance EMI (3 or 6 or 9 EMIs) so kept is adjusted against equal number of the last EMIs. Hence, this would automatically be taken as “repayment” made by the loanee/hirer.
- (iii) In case of fixed deposit scheme, the maturity value of the F.D. (if not refunded or appropriated to the loan account) may be considered as a repayment with consent from the hirer and appropriated to the loan account on the date of its maturity. The settlement amount may be arrived after appropriation of such amount to the loan account.
- (iv) Compensatory Financial Charges (CFC) being the interest from the date of 1st disbursement to the end of the month of the last disbursement, it will be a part of total interest, hence should not be specifically charged as interest under the Scheme separately. However, Miscellaneous Expense on the loan account shall not be ignored.
- (v) All other provisions at para-11 (ii) to (x) of “MFD-OTS-07- SCHEME-TERM LOAN” shall also be applicable under this scheme.

11. **PAYMENT OF SETTLEMENT AMOUNT:**

(A) New Cases:

The applicant is required to pay the settlement amount in the following manner:

- (i) 25% of the settlement amount inclusive of initial deposit is to be paid within 2 (two) months from the date of issue of the settlement order failing which, the settlement order shall stand automatically withdrawn.
- (ii) Balance 75% of the settlement amount is to be paid in 7 (Seven) equated monthly installments. Failure to pay any installment will attract interest @ 13.5% p.a on the unpaid amount for the period of default. Delayed period interest shall be payable simultaneously with the defaulted installments. On failure to pay three consecutive equated monthly installments, the settlement order shall stand automatically cancelled.
- (i) Revocation of cancellation order may be considered within 9 (Nine) months of the issue of settlement order, if balance unpaid settlement amount is paid along with interest at the rate of 15.50% p.a for the period of delay on unpaid settlement amount. Similar provision shall also apply for any default in payment of 25% up-front payment which is to be paid within 2 (two) months from the date of issue of settlement order.
- (iv) The settlement order shall become automatically invalid after lapse of 9 (Nine) months from the date of issue of the settlement order, if total payment along with delayed period interest and other expenses & also other loans are not paid within prescribed period of 9 (Nine) months.
- (v) The DGMs in charge of Branches / Branch Managers of OSFC shall be competent to cancel and issue cancellation orders in such default cases irrespective of approving authority for any loanee. Similarly, revocation of cancellation order, as prescribed above shall also be done by DGM / BM of Branches.
- (vi) **Rebate for prompt payment:**
 - (a) Rebate of 3% on the current settlement amount under “MFD-OTS-07-SCHEME-HP LOAN” for eligible loans shall be allowed to the applicant who pays the entire settlement amount including the initial deposit within a period of 1 (one) month from the date of issue of the settlement order.
 - (b) Rebate of 1% on the current settlement amount under Modified under “MFD-OTS- 07-SCHEME-HP LOAN” for eligible loans shall

be allowed to the applicant who pays the entire settlement amount including the initial deposit within a period of 2 (two) months from the date of issue of the settlement order.

- (c) Rebate for prompt payment shall not result in any sacrifice either principal outstanding and/or Misc. Expenses on Loan & Advances.

(B) Payment of the settlement amount by switchover cases:

- (a) The payment received from switchover cases towards OTS Schemes of 2005-06 and/or "OTS policy on HP loan accounts-2007" shall be deducted from the current scheme settlement amount and shall be the "balance due". 25% of the balance due minus the current initial deposit shall be paid within 2 (two) months from the date of issue of the settlement order, failing which the settlement order shall stand withdrawn.

- (b) The remaining 75% of the "balance due" is to be paid in 7 (Seven) equated monthly installments. Failure to pay any installment will attract interest @ 13.5% p.a on the unpaid amount for the period of default. Delayed period interest shall be payable simultaneously with the defaulted installments. On failure to pay three consecutive equated monthly installments, the settlement order shall stand cancelled.

- (c) Revocation of cancellation order may be considered within 9 (Nine) months of the issue of settlement order, if balance unpaid settlement amount is paid along with interest at the rate of 15.50% p.a for the period of delay on unpaid settlement amount. Similar provision shall also apply for any default in payment of 25% up-front payment which is to be paid within 2 (two) months from the date of issue of settlement order.

- (d) The settlement order shall become automatically invalid after lapse of 9 (Nine) Months from the date of communication of the settlement order, if total payment along with delayed period interest and other expenses & also other loans are not paid within prescribed period of 9 (Nine) Months.

- (e) The DGMs in charge of Branches / Branch Managers of OSFC shall be competent to cancel and issue cancellation orders in such default cases irrespective of approving authority for any loanee.

Similarly, revocation of cancellation order as prescribed above shall also be done by DGM / BM of Branches.

(f) **Rebate for prompt Payment:**

- i. Rebate of 3% on the “balance due”, shall be allowed to a loanee who pays the entire balance due within a period of 1 (one) month from the date of issue of settlement order.
- ii. Rebate of 1% on the “balance due”, shall be allowed to a loanee who pays the entire balance due within a period of 2 (two) months from the date of issue of settlement order.
- iii. The rebate for prompt payment shall not result in any sacrifice of either principal outstanding and/or Misc. Expenses on Loan & Advances.
- iv. Cases already settled under OTS scheme of 2005-06/ “OTS policy on HP loan accounts-2007” shall not be eligible for any rebate under this scheme.

12. **PAYMENT OF OTHER LOANS:**

Loans not eligible for settlement under this Scheme are required to be paid over and above the settlement amount of eligible loans under this scheme within the stipulated time. If the loanee/ unit also applies for settlement against outstanding dues of Term loan, Cyclone loan (Super cyclone of October’1999), RTDM loan, STWC loan and Agency loans like Soft loan. Seed loan and Margin Money Assistance from Government, the Settlement orders under the respective Schemes shall be issued separately and such settled dues under the respective Schemes along with ineligible loans, if any, shall also be paid within the period applicable for payment settlement amount under such scheme(s).

13. **OTHER CONDITIONS:**

- (i) Settlement under this Scheme is subject to payment of settlement amount alongwith with the entire outstanding dues of all ineligible loans like NEF loan (Refinanced by SIDBI), Seed Capital loan from SIDBI, Seed capital loan from IDBI and soft loan out of special share capital from the Corporation and outstanding dues/settlement amount of the loan(s) like Term loan, Cyclone loan (after October’1999), RTDM loan, Agency Loans such as Soft loan, Seed loan and Margin Money

Assistance from Government and STWC Loan which can be covered under separate OTS Schemes.

- (ii) The loanee(s) eligible under this scheme and who fails to apply under this scheme within the prescribed period shall not be eligible for any other OTS scheme in future.
 - (iii) The unit / loanee / promoter and their legal heirs shall not be eligible for availing further financial assistance from the Corporation for a minimum period of three years from the date of issue of NDC after the accounts are settled under this scheme.
 - (iv) Once the loan account is settled, the Corporation shall not be liable for payment of any institutional / statutory dues of any kind against the unit / loanee(s). The loanee(s)/their legal heirs alone shall be liable for such payment(s).
 - (v) Miscellaneous Expenses on Loan & Advances accrued and remaining unpaid shall have to be paid along with the settlement amount. Unpaid miscellaneous expenses on Loan & Advances shall not be waived under any circumstances.
 - (vi) FITL shall not be treated as principal. It shall be treated as part of interest only.
 - (vii) There will be no refund in whatsoever manner, in case one has already repaid to the Corporation over and above the Settlement amount as per the applicable parameters.
 - (viii) In case of mutual transfers, the terms of transfer shall prevail while considering cases under this "MFD-OTS-07-SCHEME-HP LOAN".
14. The provisions on 'AUTHORITY TO CONSIDER APPEAL', 'RESIDUAL CLAUSE' and 'INTERPRETATION' shall be the line of para-14, 16 and 17 respectively of "MFD-OTS-07- SCHEME-TERM LOAN".