

ORISSA STATE FINANCIAL CORPORATION

ONE TIME SETTLEMENT POLICY-2011

SALIENT FEATURES

1. OSFC has introduced OTS Policy-2011 for implementation w.e.f. 2.5.11 as an ongoing OTS Policy to provide an exit route to NPA accounts.
2. **SCOPE OF OTS POLICY**
 - 2.1 The loan portfolio classified as bad & doubtful and loss category as per the prudential norms and guide lines of RBI/SIDBI on asset classification and continuing as such for 2 years preceding the date of OTS application shall be eligible to avail the opportunity of OTS under the present scheme having following characteristics :-
 - a) All cases where both industrial & collateral Securities have been seized & sold.
 - b) The loans where any proceeding(s) are pending before any Courts/DRT/BIFR, such borrowers may also apply, if other wise eligible under the scheme. In such cases while applying for settlement of loan, the borrowers shall furnish an unconditional undertaking to withdraw the pending proceedings/cases. On full & final payment of settlement amount along with other in-eligible loans under the scheme & prior to issue of No Dues Certificate, the borrowers shall be required to submit the consent/withdrawal order/decreed/permission from the respective judicial forum(s) voluntarily.
 - (c) In case where OSFC has obtained a decree from a competent Court with or without interest on the decreed amount, such cases may also be considered for coverage under this OTS Scheme, if they are otherwise eligible. In such cases, the decree amount along with interest, if any, or the settlement amount as arrived under this scheme, whichever is less shall be the final settlement amount.
 - (d) The OTS Scheme shall also be applicable to cases where the assets after seizure u/s 29 of SFC,s Act. 1951 have been partly/ fully sold or has remained unsold.
 - (e) Account already closed shall not be opened under any circumstances.
 - (f) Normally, the benefit of OTS should not be extended to the cases of willful default, fraud or malfeasance committed by unscrupulous borrowers/ guarantors etc. However, if OTS is found to be a better exit route of recovery, such cases may be processed with due care. The BLOTSAC/OTSAC shall recommend the same for condonation of angle of willful default/fraud/malfeasance by MD Committee as approved by Board to condone such cases for consideration under this "OTS POLICY" without prejudice to any action/ outcome of any criminal case(s) initiated/ to be initiated by the Corporation/other law enforcing agencies. Further, the borrower shall not be absolved from any action and his/ her/ their liability on account of willful default/ fraud/ malfeasance committed with any other financial institution/ agencies.
 - (g) The Guarantor(s)/ Mortgager(s) and/ or their legal heir(s) if otherwise eligible to be considered under this "OTS POLICY" are allowed to apply for settlement of the loan account. In such cases, NDC will be issued to the borrower subject to appropriate consent from the guarantor/ mortgager/ legal heirs paying the settlement amount. The guarantee of the guarantor/mortgager will be absolved on full and final settlement of dues under OTS.
 - (h) Legal heir(s) of the borrower on production of certificate from competent authority can also apply for settlement of dues, if the case is otherwise eligible for settlement of dues under the Scheme.
 - 2.2 **Following cases are not eligible for consideration under OTS.**
 - (a) The cases where the winding up proceedings have been passed & where BIFR has recommended / taken a view for winding up such cases shall not be eligible to be covered under this scheme.

- (b) Cases where a decision has been taken for sale of seized assets are not eligible under this scheme. OTS application shall only be entertained in the event of cancellation of the sale. In such cases the highest bid/ sale consideration or the calculated settlement amount whichever is higher shall be the proposed settlement amount in case of non-materialisation of the sale/auction for whatever reasons.

2.3 Any loans not considered under earlier OTS scheme(i.e. ineligible loans) can be settled in isolation.

2.4 State Government Agency Loan shall be considered for settlement on payment of principal outstanding plus interest at the documented simple rate reduced by repayment towards interest only.

3. CATEGORY

3.1 In pursuance to the guidelines of RBI as circulated vide letter No.112 dated 21.6.10 to all banks on compromise/ negotiated/OTS of NPAs, provision has been made to link security while arriving the settlement amount under OTS. But in order to reduce the large no. of small loan accounts, a liberal OTS Policy is in place by delinking the security provision.

3.2 The OTS Policy is divided into two broad categories i.e. Disbursement band up to Rs.5.00 lakh and Disbursement band above Rs.5.00 lakh for all eligible loans. In the latter category, the settlement amount is linked to the value of the assets.

4. COVERAGE

4.1 OSFC loan such as term loan, addl. term loan, cyclone loan, HP & STWC loan, soft loan and RTDM loan are eligible.

4.2. The OSFC loans under jointly financed cases are also eligible.

4.3 The Govt. agency loan such as seed/ soft loan/ margin money assistance are eligible. However, IDBI/SIDBI seed capital / NEF assistance of SIDBI are not eligible for settlement.

4.4 Loan accounts having disbursement up to Rs.3.00 lakh for specified obsolete sector as declared by State Govt. from time to time. Presently the following sector have been classified as obsolete by State Government:

- (i) Transport vehicles of variety like J-6, Ford and Mahindra & Mahindra Mini Trucks utilized as "Goods Carriages".
- (ii) Textile Sector including Handloom and Power Loom units, Small sizing unit, Tie & Dye units and Canvas cloth unit.
- (iii) Type-set Printing Press.
- (iv) Fishing Trawlers
- (v) Saw Mills and wood based industries,
- (vi) Rubber Product
- (vii) Brick Kilns
- (viii) Small Rice Hullers
- (ix) Leather Processing/Manufacturing units
- (x) GSL Lamps.
- (xi) Carbon Paper Mfg. Industries.

5. VALIDITY OF APPLICATION

5.1 Application Form.

The eligible borrowers interested to settle the loan under OTS are required to submit the prescribed OTS application duly filled in and accompanied with requisite Initial Deposit, Recovery Administrative Charges, Documents such as Audited Balance Sheet and P/L accounts for last 3 years (in case of Disbursement Band of Rs.30.00 lakh and above), Resolution of Board in case of company, unconditional undertaking for withdrawal of case filed against Corporation, if any, etc. The application should be treated as a valid one only on deposit of required Initial Deposit, Recovery Administrative Charges & Documents as stated above.

5.2 Initial Deposit(ID)

The applicants along with their OTS application under the present scheme are required to make an initial deposit @ 10% of the total principal outstanding of all eligible loans as on the date of OTS application.

5.3 Recovery Administrative Charges (RAC):

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

Sl.No	Disbursement Band	RAC
1	Total disbursement up to Rs.25,000.00	Nil
2.	Total disbursement above Rs 25,000.00 and up to Rs. 5.00 lakh	Rs. 1,000/-
3.	Total disbursement above Rs. 5.00 lakh and up to Rs. 30.00 lakh	Rs..2,000/-
4	Total disbursement above Rs .30.00 lakh and up to Rs. 50.00 lakh	Rs. 5,000/-
5.	Total disbursement above Rs. 50.00 lakh	Rs. 10,000/-

6. DELEGATION OF AUTHORITY

All OTS applications shall be received at respective Branches only. Once the application complete in all respect along with requisite documents, RAC & ID are received, the processing of proposal shall start immediately for pressing the case before the Branch Level One Time Settlement Advisory Committee(BLOTSAC)/One Time Settlement Advisory Committee of HO(OTSAC) as the case may be so as to dispose of the OTS application within a maximum period of 45 days. The delegation of power for approval of OTS proposal is given below:

Disbursement Band	OTS to be recommended by	OTS to be approved by
Up to Rs.30.00 lakh	BLOTSAC	BLOTSAC
Above Rs.30.00 lakh & up to Rs.75.00 lakh	OTSAC	OTSAC
Above Rs.75.00 lakh to Rs.1.00 cr.	OTSAC	MD Committee
Above Rs.1.00 cr.	OTSAC	Executive Committee

If a proposal is found noteworthy for consideration under OTS, the BLOTSAC/OTSAC may recommend for rejection of the proposal by MD Committee.

7. SETTLEMENT FORMULA

The settlement amount recoverable under different Disbursement Bands is as below:-

7.1 For loan under Disbursement Band up to Rs. 5.00 lakh

Band	Settlement Formula		
Total disbursement up to Rs. 0.25 lakh	Amount disbursed minus repayment till the date of application or 50% of amount disbursed, whichever is lower		
Total disbursement above Rs. 0.25 lakh to Rs. 5.00 lakh	Amount disbursed plus interest @ 5% to 12% till the date of OTS application less repayment since inception or principal outstanding whichever is lower.		
	Sl.No.	Conditions	Rate
	1	Loan period is more than 20 years till DoA* or one who has repaid more than 200% of amount disbursed	@5% p.a. till DoA.
	2	Loan period is more than 15 years & up to 20 years till DoA or one who has repaid more than 150% and up to 200% of amount disbursed	@ 7% p.a. till DoA
	3	Loan period is up to 15 years till DoA but disbursed prior to 31.03.1998	@8% p.a. till DoA
4	Loan is disbursed after 31.03.1998	@ 12% p.a. till DoA	

* **DoA** : Date of OTS application. The date on which Corporation issues acknowledgement slip to borrower regarding receipt of valid OTS application.

7.2 Settlement Formula for the Disbursement Band above Rs. 5.00 lakh

The loan account under this category for settlement purpose shall be security linked i.e the settlement amount is computed on the basis of valuation of security (both Industrial & Collateral security).

- 7.2.1 The Minimum Expected Amount (MEA) is the total amount disbursed by the Corporation plus simple interest at documented rate till the date of application for OTS adjusted with repayments. The concept of Net Simple Interest (NSI) shall be applied, but if there is an excess amount over and above simple interest paid as on date of application shall be adjusted against such MEA. In other words, if someone has paid more than simple interest, it cannot be adjusted against principal. However, at the end it needs to be adjusted against MEA.

In cases where security (industrial & or collateral) is available, the settlement amount shall be calculated as under(As per modification in 371st Board meeting.:

A) When MEA as on DoA is up to +/- 10% of VoS	MEA minus 5% of simple interest charged
B) When VoS is more than MEA by more than 10%	i) MEA plus 30% of C.I. charged
i) VoS is more than MEA by above 100%	ii) MEA plus 25% of C.I. Charged
ii) VoS is more than MEA by above 50% & up to 100%	iii) MEA plus 20% of CI Charged
iii) VoS is more than MEA by above 25% & up to 50%	iv) MEA plus 15% of CI Charged
iv) VoS is more than MEA by above 10% & up to 25%	
C) When VoS is less than MEA by more than 10%	
i) VoS is less than MEA by above 100%	i) MEA minus 20% of S.I. charged
ii) VoS is less than MEA by above 50% & up to 100%	ii) MEA minus 15% of S.I. Charged
iii) VoS is less than MEA by above 10% & up to 50%	iii) MEA minus 10% of S.I. Charged

The above settlement formula is subject to condition that the calculated settlement amount shall be compared with the total outstanding principal amount of all eligible loans as on the date of OTS application and higher among the two will be the proposed settlement amount along with unpaid misc. expenses on LA.

7.2.2.. Settlement formula for specified category of loan account.

A. Settlement formula for balance loan cases where no Industrial and / or Collateral Security is available.

- i. The sale proceeds shall be deducted from the Principal outstanding as on date of seizure of assets U/s 29 of SFCs Act to arrive at the settlement amount .
- ii. If resultant is negative, the settlement amount shall be the ID.
- iii. The balance unpaid misc. expenses on LA along with the other charges to be accrued on the loan account till the date of final payment shall be payable along with settlement amount as arrived at (i) or (ii) above. The unpaid misc. expenses is the amount of misc. expenses outstanding in the loan account as on date of seizure plus further misc. expenses debited till the date of final payment of the settlement amount.

If any account is not coming under above consideration, such cases be placed to Board with specific recommendation for decision.

B. Special treatment for settlement of dues in case of obsolete sector.

- i. Cases where disbursement has been made prior to 31.03.98
- ii. Total disbursement of all eligible loan shall be limited to Rs.3.00 lakh
- iii. Amount Disbursed plus 25% of the disbursement amount plus misc. expenses debited to loan account reduced by repayment since inception shall be the settlement amount.
- iv. As per the decision of 371st meeting of BoD, it was resolved that in partial modification in OTS-2011 policy in respect of specific cases coming under obsolete sector, the lower of the settlement amount arrived as per parameter of obsolete sector and parameter applicable to general category shall be considered.

8. MODE OF PAYMENT

- 8.1 The Settlement Amount along with the entire dues of loans not eligible for OTS shall be paid within 60 days of its formal communication. No interest will be charged if paid within 60 days.
- 8.2 The Settlement Amount can also be paid within one year from the date of issue of Settlement Order in 12 (twelve) equated monthly installments. Interest @ 13.5% shall be charged on the unpaid Settlement Amount beyond 30 (thirty) days. Any payment received towards balance settlement amount((if settlement amount is not paid in one lump sum or within 60 days) may be appropriated first towards overdue interest, if any and thereafter towards balance settlement amount. The ineligible loan dues shall also be paid within the stipulated period of 12 months.
- 8.3 In case the settlement amount is not paid within the schedule period, OSFC at its discretion may consider to allow further time on payment of interest at 15.50% after expiry of 12 months.

9. VALUATION OF ASSETS IN OTS CASES

Valuation of assets should be carried out through two different empanelled Chartered Valuers(CV) before finalizing the OTS proposal at the behest of OSFC. The higher of the two valuations shall be taken for consideration as VOS. While taking up valuation, the financed/ mortgaged assets found missing at the behest of the borrower and guarantor shall be notionally valued (as on date of OTS application) and be added to security to compare with MEA. Such valuation, if already done by OSFC though empanelled CV within one year should normally be accepted. The cost of valuation will be added with the calculated settlement amount being a part of Misc .expenses on L/A.

10. WITHDRAWAL OF SETTLEMENT ORDER

Where the applicant for OTS is not found to be honoring the OTS payments as per the schedule and in case of default in payment of three consecutive installments, the OTS approval order can be considered for withdrawal by the Branch Manager followed by initiation of appropriate recovery measures U/s29/31 of SFCs Act & SARFAESI Act etc.

11. 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 within the scheduled time period allowed for payment of settlement amount.

12. AUTHORITY TO CONSIDER APPEAL

If an applicant is aggrieved by the order of settlement, he /she /they may file an appeal before the Managing Director within fifteen days of communication of the Settlement Order along with 10% of the balance settlement amount as communicated. Managing Director of OSFC would be the Competent Authority to consider this appeal and take a final decision in the matter. MD will take a final

decision on the interpretation of the policy/procedure/guideline and resolve the ambiguity, if any, so as to dispose of the appeal.

It is further proposed that the appeal of the borrower/guarantor for further relief in term of reduction of settlement amount/waiver of delay period interest & other charges etc., the following authority will take a final view subject to merit of the case and depending on the fact & circumstances.

- i) For addl. Sacrifice upto Rs.50,000/-, the MD Committee will take a final view which will be reported to the Executive Committee.
- ii) For addl. Sacrifice above Rs.50,000/- and upto Rs.5.00 lakh, the EC will take a final view on the recommendation of the MD Committee which will be reported to the Board.
- iii) For addl. Sacrifice beyond Rs.5.00 lakh, the Board will take a final view on the recommendation of MD Committee.

**FOR APPLICATION FORM & FURTHER DETAILS, PLEASE CONTACT
NEAREST BRANCH OFFICE OF THE CORPORATION.**

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