

## Policy for Compromise Settlement of Chronic Non-Performing Assets (Doubtful Loan Accounts) of HSIIDC - 2021

### 1. SHORT TITLE AND COMMENCEMENT:

This policy may be called “The Policy for Compromise Settlement of Chronic Non-Performing Assets (Doubtful Loan Accounts) of HSIIDC- 2021”. This policy shall come into force with immediate effect.

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

- a. This policy will cover all the accounts of the borrowers/defaulters of HSIIDC which were classified as NPA accounts that have become doubtful upto 31.03.2018.
- b. The policy shall 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.
- c. The policy shall also cover all accounts including cases wherein the Corporation has taken action under section 29 of SFC’s Act, RC issued cases and also cases pending before Courts/DRT/NCLT & cases where orders for winding up have been passed. However, in the cases which are pending before the Courts/DRT/NCLT, the borrower shall be required to give an affidavit for withdrawal of the case or obtain consent decree from Court(s)/DRT/NCLT.
- d. The policy shall not cover cases where the Corporation has already approved settlement under any of the ongoing schemes or previous settlement schemes of the Corporation and settlement has not been cancelled till date.  
This policy, however, will not apply in respect of cases already settled and no earlier approved case shall be reopened.
- e. This policy shall not be applicable in fraudulent cases where mortgaged security / machinery / stocks are missing or have been disposed off / shifted by the borrower / guarantor at their own level without Corporation’s approval and such cases shall not be given benefit of this settlement scheme.

### 3. ELIGIBILITY:

For the purpose of determining eligibility, the NPA definition would be as per the guidelines of RBI applicable as on March 31, 2018 which is as under:

Sr. No.	Category of asset	Default Period
1	Standard Assets	0 to 90 days
2	Non Performing Assets(NPA)	Default exceeding 90 days
2.1	Sub-Standard Assets	Classified as NPA for a period not exceeding 12 months
2.2	Doubtful Assets	Classified as NPA for a period exceeding 12 months
2.3	Loss Assets	No security available.

Likewise NPA definition for leasing accounts would be as per RBI guidelines as applicable as on 31.3.2018.

#### **4. SETTLEMENT FORMULA - Amount and Cut off Date**

The minimum amount that should be recovered under the policy in respect of compromise settlement of NPAs classified as doubtful account upto March 31, 2018 would be 100% of the outstanding balance in the account as on the date (cut off date) on which the account was categorized as doubtful account plus misc. expenses plus simple interest @ 13.5% p.a. from the date the account became doubtful after giving credit of the payments received subsequent to the cut off date including the upfront amount if any deposited against earlier OTS policies wherein the cases were rejected by the Corporation till the date of final payment. The credit shall be given by making adjustments first towards misc. expenses, then to simple interest and balance towards the amount outstanding on cut off date. However, in no case the account shall be settled less than the principal amount.

The outstanding amount as on the date the account became doubtful (cut off date) has been calculated by appropriating the normal recoveries first against the actual misc. expenses and then against outstanding interest and thereafter, the balance amount is to be adjusted against the outstanding principal amount as per the existing practice of the Corporation. However, the amount realised by way of sale of mortgaged assets by the Corporation or sale by promoters/guarantors/mortgagors with the permission of the Corporation or by order of any court will be appropriated first against the actual misc. expenses and then against principal amount and balance, if any, will be adjusted against the outstanding interest.

The settlement amount as above would be the minimum acceptable amount. However, while arriving at the fixed settlement amount, the net realizable value of the properties mortgaged shall be taken into account. The minimum settlement amount shall be linked to the realizable value of the security available as assessed by the Corporation and the account shall be settled at the amount calculated based on the above formula or the realizable value of the security which ever is higher.

#### **5. LEASE FINANCE CASES**

- i) In Lease Finance Account, the outstanding balance on the cut off date shall be the amount of rentals overdue alongwith penal interest and expenses etc. outstanding plus amount of principal due as per capital recovery method up to the cut off date.
- 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, 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.
- iv) The prevailing guidelines in respect of appropriation of recovery amount according to which any amount received from the borrower is appropriated first towards misc. expenses then towards interest and then towards principal shall not be made applicable in Lease Finance.
- v) The Term "**outstanding balance**" shall mean the total amount recoverable from the borrower as on the cut off date as per document terms. In other words aggregate principal outstanding alongwith interest and other charges as on the cut off date shall be taken as the outstanding balance.
- vi) 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.

## 6. 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 and misc. expenses as per memorandum loan ledger before recasting by demand draft/RTGS as down payment (non-refundable amount).
- b. The borrower will be required to give its acceptance to the One Time Settlement within 15 days of date of issue of One Time Settlement offer letter.
- c. The company shall have option to pay the full OTS amount in the timelines detailed as under and the following additional rebate shall be admissible:-

Time Schedule	Rebate in Interest
Within 30 days	3% interest rebate on 13.5% p.a. while calculating simple interest from the cut off date.
31 days to 60 days	2% interest rebate on 13.5% p.a. while calculating simple interest from the cut off date.
61 days to 90 days	1% interest rebate on 13.5% p.a. while calculating simple interest from the cut off date.
Beyond 90 days till the validity of scheme	No rebate

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 4 equal quarterly installments together with simple interest @ 13.5% p.a. from the date of settlement up to the date of final payment. The interest on the settlement amount in such cases shall be required to be paid in quarterly installments.

d. Any amount received from the eligible borrower after the cut off date will be adjusted while undertaking the interest calculations of minimum settlement amount provided that in no case the settlement amount shall be less than principal plus miscellaneous expenses outstanding.

e. The borrower will also give an affidavit to the effect that he will not dispute the settlement amount in any court of law and will also withdraw the court cases filed by him against the Corporation, if any or obtain consent decree from the court(s)/DRT/NCLT.

#### **7. SANCTIONING AUTHORITY**

The Sub-Committee constituted by the Board of the Corporation for approving the settlement shall be the Competent Authority to take decision on compromise settlement of accounts as per the provisions of this policy.

All the cases approved by the Sub-Committee will be placed before the Board for information. Cases not covered under the provisions of this policy will, however, be placed before the Board for final approval.

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

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

9. In the event, any of the One Time Settlement conditions do not get fructified, the amount received under this scheme alongwith the upfront amount shall be considered as if the same was received in the normal course under the account and shall be adjusted accordingly.

10. In case of failure on the part of the promoter / guarantor / company to make the payment of OTS amount as per the settlement, Managing Director, HSIIDC is authorized to revoke the One Time Settlement or allow extension considering merits of each case upto a maximum period of one year. The borrower shall be required to pay additional interest @ 3% p.a. for the extended period.

**11. 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 or to amend this policy in general.

**12. 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.

The Corporation shall have a final right to accept or reject any settlement proposal made under this policy with or without assigning any reasons.