

U.P. FINANCIAL CORPORATION
14/88, CIVIL LINES, KANPUR

Ref. No. 03 /FC/MDC/2014-15

Dated : 23.08.2014


All Regional Manager,
U.P. Financial Corporation,

Reg:- OTS Guidelines-2012.

In view of Full Bench decision dated 9th January 2013 passed by the Hon'ble Allahabad High Court in Writ Petition No. 56175 of 2011 Maharajwa & Others Vs. State of U.P. and others and the observations made by the Hon'ble High Court, Allahabad in Writ Petition No. 44488 of 2013 Ashok Kumar Gupta & Others Vs. State of U.P. & Others, the condition no. v & vi relating to withdrawal of pending legal proceedings and relating to payment/realization of collection charges in RC/PRC issued cases from General Norms of OTS have been deleted from the OTS Guidelines-2012.

The revised OTS Guidelines are enclosed for futher necessary action at your end.


Encl: As above.


(MOHAMMAD IFTAKHARUDDIN)
MANAGING DIRECTOR

Copy to:-

1. All Departmental Heads at HO, UPFC, Kanpur.
2. SO to MD, UPFC, HO, Kanpur
3. SRM Camp, UPFC, HO, Kanpur
4. Spare Copy for record.

Encl: As above.


(MOHAMMAD IFTAKHARUDDIN)
MANAGING DIRECTOR

REVISED GUIDELINES OF OTS 2012

The existing OTS guidelines (2010) were revised /modified by the Board in its meeting held on 27.12. 2010. Subsequently, certain modifications were also approved by the Board in these guidelines in its meeting held on 8.6.2011. The OTS guidelines were valid upto 31.3.2012.

It has been observed that the existing OTS guidelines have been very effective to liquidate NPAs and to extract maximum amount of recoveries from them. This is evident from the fact that despite resultant decrease in the outstanding loan portfolio coupled with the maximum number of difficult and chronic cases the Corporation has registered slight improvement in recovery from Rs. 46.01 crore in FY 2010-11 to Rs.46.10 crore (tentative) in FY 2011-12.

From the feedback received from field officers and observations at Head Office certain minor modifications / additions are being proposed to make present guidelines more effective in liquidating residual NPA portfolio which has become harder and difficult. The modification/ additions proposed in the existing OTS guidelines-2010 were put up before the Board of Directors in its meeting held on 17.05.2012. The Board of Directors approved most of the modification proposed in the existing guidelines. The detail OTS guidelines 2012 after incorporating the modification/additions approved by Board in the existing guidelines are as follows :-

1. ELIGIBILITY

The following type of cases shall be eligible for OTS under proposed guidelines: -

- i) The account should be NPA as on the date of the application.
- ii) The purchaser's account, which has become NPA shall be considered for OTS where down payment has been received.
- iii) Seed Capital Assistance/Soft Loan granted under the scheme of the IDBI & SIDBI which have also become NPA shall also be eligible.
- iv) The proposed guidelines will also cover cases pending before DRT/BIFR/Courts. However, in such cases borrower shall have to withdraw the case from respective court and submit affidavit in this regards.



- v) Cases of fraud, theft of machines and where FIR has been lodged may be considered. However, in such cases the valuation shall be done assuming that no Plant & machinery is missing and in such cases OTS amount will be loaded additionally with depreciated value of removed Plant & machinery at the time of theft or 10% of the OTS amount arrived as per applicable Settlement formula, whichever is lower.
-) The cases in which lease assistance has been granted and in which monthly lease rental is overdue for more than six months, shall also be eligible.
-) The existing cases where OTS have been cancelled shall also be considered for revival as given under this category in the note.

2) CUT-OFF DATE

The Cut-off date shall be 31st March of relevant financial year for all cases of SS, D-1, D-2 & D-3 category of NPA. The cut-off date for cases under Loss category shall be the date on which 50% of the sale proceeds (after the sale of assets) have been received or agreement to sale executed after giving the possession. Standard & Sub-standard cases shall not be eligible for OTS except in exceptional circumstances as given in subsequent paras of the note. The cut off date in such type of cases shall also be 31st March of relevant financial year as explained above.

3. Rating Module to Settle Account

Keeping in view the fact that the major portfolio of the Corporation comprises of D-3 and Loss Assets a simplified and transparent formula with rationalized rating module is proposed to arrive at indicative OTS amount. Due weightage to value of security has been given in the module for arriving at indicative settlement amount. This type of approach is being followed in PICUP also. The following tables would be considered to provide necessary score to arrive at indicatives OTS amount :-

Table-1
Formula for arriving at OTS amount

Sl No	Score obtained	Particular
1.	1 to 70	OSP + Expenses
2.	71 to 75	OSP + Expenses + 50% OSI at gross documented rate of interest.
3.	76 to 80	OSP + Expenses + 75% OSI at gross documented rate of interest.
4.	81 to 85	OSP + Expenses + 100% OSI at gross documented rate of interest.
5.	86 and above	OSP + Expenses + 100% OSI at gross documented rate of interest + 25% Compound interest.
The indicative OTS amount shall not exceed the valuation of mortgaged assets subject to the condition that there is no write off. Thus in any case the OTS amount will not be less than OSP + expenses.		



The parameters for awarding above scores of Table-1 are as below:

Table-2

Parameters for providing score		
Sl. No.	Parameters	Maximum score
1.	Status of the unit	02
2.	Prime/Collateral security	85
3.	Net worth of the guarantors	05
4.	Amount paid by the borrower	08
5.	Total	
6.	Less Other attendant Factors (02 marks for each discount factors with maximum of 10 points)	
	Net Score (for Table-I)	

For awarding score on the basis of above parameters following sub parameters would be considered.:-

3.1 Status of the Unit (1 of Table-2) :

The present business activity of the unit / borrower / guarantor and genuineness of the problems/difficulties of the borrower and his willingness to enter into OTS should be kept in view for giving scores. The present level of operations of the unit/borrower(s)/guarantor be kept in mind to award score in the range of "0 to 2" Table 2 based on the following broad considerations : -

Table-3

Sl. No.	Parameters	Maximum score
1.	Unit not started production	00
2.	Started production but closed subsequently.	01
3.	Partially Running.	02

2.1 Valuation of Prime/Collateral security (2 of Table-2)

The existing guidelines for valuation as per OTS guidelines 2009 states that latest Circle rate or market rate, whichever is higher, shall be considered for valuation of land and depreciated value should be considered for valuation of Building & Plant and machinery. It may be worthwhile to mention that Govt. authorities are increasing the circle rate of land quite frequently to increase revenue collection whereas it has been observed from the feed back from field offices that in Bundelkhand and Eastern Region there is no corresponding increase in the market rate. In Western and Central U.P. markets rates have increase correspondingly with circle rate. Therefore, it is felt imperative to modify norms of valuation of land in Bundelkhand, eastern U.P. and



some small backward distt./areas of the state where development has not taken place and demand for land has not picked up much.

2.1.0 For valuation purpose entire area of the state may be categories as below:-

- . Land in Noida, Gr. Noida and Ghaziabad District.
- . Land in Industrial Area/Estate i.e. UPSIDC, GIDA, DIC etc.
- . Private land in Bundelkhand, Eastern U.P. and some small Distt./Town of other areas.
- . Land in other Distt./areas i.e. other than i, ii & iii above.

I) **Value of the land in Noida/Gr. Noida/Ghaziabad-**

If the land is located in Noida/Gr. Noida and in Ghaziabad the guidelines of valuation i.e. market rate or the rate fixed by the authority, circle rate, whichever is higher, shall be considered.

II) **Value of the land in Industrial area/Estate i.e. UPSIDC, GIDA, DIC etc-**

If the land is located at Indl. Area / Estate of UPSIDC, GIDA, DIC etc. the present guidelines of valuation of the land i.e. market rate or present rate fixed by the authority, which ever is more, shall be considered. If in any case authority rates are being considered then proper justification be given if they are lower than the circle rate.

III) **Value of private land in Bundelkhand, Eastern U.P. and some small Distt./Town of other areas.**

If market rate of land is lower than the revised Circle rate of land then average of two (Circle rate and market rate) be considered for valuation in the following manner:-

-) If market rate is less by / upto 20% of Circle rate then the average of Circle Rate and market rate as per our Technical Officer would be considered.
-) If market rate is less by more than 20% of Circle rate then the valuation of the land should also be got done through Govt. approved Valuer apart from Tech. Officer and thereafter average of three i.e. Circle rate, market rate assessed by outside valuer and market rate assessed by Technical Officer shall be considered to arrive at the rate to assess the value of the land.

The list of districts of Bundelkhand, Eastern U.P. and some small distt./town of other areas where above guidelines for average valuation of land shall apply, is annexed at Annexure-I

IV) **Value of Land in other Distt./areas i.e. other than i, ii & iii above.**



The present guidelines for valuation of land in above distts./areas shall continue to be applicable i.e. market rate/circle rate whichever is higher be taken into account.

3.2.2 It is observed quite often that different procedure is adopted by various offices in disposal of land if the unit is located in agricultural area.

In order to streamline the valuation of land in agricultural area where there is no unit nearby and/or no abadi, out of town area then the following methodology may be adopted:-

- a) If the land is at main road then 150% of circle rate of agriculture land or market rate whichever is higher.
- b) If the land is not on main road then 130% of circle rate of agriculture land or market rate whichever is higher.

3.2.3 These guidelines for valuation of land will apply for both sale and OTS cases.

1.1.1 Scoring method for value of prime & collateral security :-

The scores under this head of valuation would be awarded as compare to OSP percentage as below:-

Table-4

Score of security/value as percentage of OSP		
Sl No.	Value of mortgaged security (Prime+Coll.)	Score to be allotted.
1	Less than 100% of OSP	65
2.	Equal to 100% of OSP	70
3.	More than 100% of OSP	- Valuation above 100 to 125% of OSP = 75 - Valuation above 125 to 150% of OSP = 80 - Valuation above 150% of OSP = 85

3.3 Net worth of the Promoter/Guarantor (3 of Table-2) :

The net worth of the promoter/guarantors shall be calculated on the basis of the immovable personal assets owned by them (as per appraisal note) but not mortgaged to the Corporation. If the personal assets are informed as sold then local inquiry about the same would be made by Regional office. The party will have to submit an Affidavit regarding personal assets of all the partners/directors as usual. The following rating module for granting score shall be applicable:-



Table-5

Sl. No.	% Value of unencumbered assets to OSP	Maximum score
1.	NIL	00
2.	Upto 25% of OSP	02
3.	26 to 50% of OSP	03
4.	51% to 75% of OSP	04
5.	Above 75% of OSP	05

3.4 Amount paid by borrower (4 of table 2):

Amount paid by the borrower is another factor which has been considered for calculating the indicative OTS amount. The score would be granted as below :

Sl. No.	Amount received towards principal from borrower	Maximum score
1.	Over 75% of Disbursed Amount	(-) 05
2.	51% to 75% of Disbursed Amount	(-) 02
3.	26% to 50% of Disbursed Amount	02
4.	10% to 25% of Disbursed Amount	04
5.	Less than 10% of Disbursed amount	08

2.4 Other Attendant Factors – Discount Marks : (5 of table 2)

The following factors may be given discount in scoring subject to the maximum of 2 marks for each factor (maximum 10 for all factors), with proper justification, as encumbered below: -

- The unit is under possession for more than 5 years.
- The Court has granted stay or is in BIFR/AAIFR.
- Failure of project due to change in Govt. policy.
- Technological obsolescence.
- Guarantor, Directors, Partners, Proprietor are not available.
- Death of Partners/Guarantor/Proprietor/directors.
- Huge Govt. rule which are not in dispute (dues more than 100% of OSP).

Sl. No.	Other Attendant Factors	Discount
1.	One factor	02
2.	Two factors	04
3.	Three factors	06
4.	Four factors	08
5.	Five factors	10



4. **Settlement amount for Lease Assistance cases:**

The Corporation had stopped lease financing in the year 1998 onwards. However, few cases are still saddled in the portfolio of the Corporation. The lease assistance was provided at very high implicit rate of interest normally ranging from 21% to 28% p.a. The OTS guidelines of Lease Assistance cases were revised in the year 2009 but not much success has been achieved. It may be worthwhile to mention that the value of available security in most of the cases is now negligible as plant & machinery has become quite older more than 10 to 15 years and its depreciated value (plant & machinery given on lease) is almost nil. We have already claimed depreciation on these machines in our books and value of lease financed assets is NIL in our books. If these cases are settled they will directly increase the income of the Corporation. Most of the cases are very sticky and under litigation or pending before BIFR/AAIFR. In order to settle these cases the following simplified formula may be made applicable looking to the above.

OTS Amount = (Lease amount disbursed – Principal part of the lease rental paid) + (10% of Simple Intt. at implicit rate of interest i.e. IRR from the date of last payment of lease rental upto preceding quarter) less (advance lease rental deposited) + (salvage value @ 5% of plant & machinery) + (outstanding trade tax amount on lease rentals).

5. **O.T.S. in Joint Financed cases:**

In joint financing cases, where the Corporation shares pari-passu charge on the assets alongwith other FIs, the OTS amount finalised by the lead institution after mutual consultation would be acceptable to the Corporation if it comes within the guidelines. Settlement Committee would be empowered to take decision if the proposal is within the OTS guidelines. If the proposal is beyond the approved guidelines (owing to settlement already finalized by other FIs), then it would be put up to EC for decision.

6. **O.T.S. under Composite loan & Handloom Weavers Scheme.**

At the instance of Govt./IDBI the scheme was made operational in Mid 80's for Artisans & Handloom weavers. The loans granted amounted to maximum of Rs. 50,000/-. The following guidelines for settlement of these cases would be applicable:-

-) Where borrower has paid less than 25% (Principal + Interest) of disbursed amount then OTS amount would be 100% OSP + Exp. as per existing guidelines.
-) Where borrower has paid 25% (Principal + Interest) or more of disbursed amount then OTS amount would be 75% of OSP + Exp.

7. **O.T.S. in Loss category cases :**

The N.P.As. under this category amount to Rs. 168 crore as on 31.3.2010 which constitute 40% of loan portfolio of the Corporation. Keeping in view the practical difficulties in realisation of dues from Loss assets certain minor



modification are proposed in existing guidelines. The OTS amount would be calculated according to marks awarded in Revised Debt rating format by the Field Office to ascertain categories of loss assets from L-1 to L-4. The copy of the revised Debt rating format is enclosed at Annexure-II. The indicative OTS amount would be as per chart given below :-

Sub category	Marks as per Debt rating chart	Minimum OTS amount
Loss Assets L-1	75 and above	125% (Principal outstanding at the time of sale minus sale proceeds) + Expenses.
Loss Assets L-2	60 to 74	100% (Principal outstanding at the time of sale minus sale proceeds) + Expenses.
Loss Assets L-3	50 to 59	75% (Principal outstanding at the time of sale minus sale proceeds) + Expenses.
Loss Assets L-4	Below 50	50% (Principal outstanding at the time of sale minus sale proceeds) + Expenses.

7.1 In case the promoters/borrowers is physically handicapped or woman (other than spouse/parents/daughter/daughter-in-law/son-in-law of the partner/ director) or widow/dependents of deceased main promoter and the OTS is proposed on individual capacity, then the OTS amount under Loss category would be assessed as applicable to one category lower which may be acceptable e.g. if as per marks secured the case comes under L-1 category then for physically handicapped person or woman entrepreneur the OTS amount would be as per L-2. If the case comes under L-2 category then OTS amount would be as applicable to L-3 category. However, if it is under L-4 category then the OTS amount would be 25% of OSP after adjusting sale proceeds + expenses.

7.2 In cases where OSP has been recovered through adjustment of sale proceeds such cases of loss category would be settled on 5% of disbursed amount to the unit. In fraud and theft cases additional 10% loading of OTS amount would also be applicable over and above OTS amount.

In case any borrower is ready to pay 150% of Principal outstanding (except in theft cases) at the time of sale minus sale proceeds + Expenses then R.M. shall be empowered to settle the account without any need of Debt rating.

8. OTS of Purchaser account :

Normally the OTS of purchaser account shall not be considered. However, where purchaser has paid atleast 75% of sale consideration or possession of the property purchased could not be handed over or sale deed could not be executed while there is no fault of purchaser e.g. stay obtained by the borrower from the competent court or litigation or any other valid reason then OTS may be considered on balance sale consideration + expenses + OSI at gross documented rate of interest.



In other cases where after making down payment the purchaser had paid total amount less than 75% of total sale consideration, then OTS may be done as per following :

-) In case present value of property (market value) is less than bal. sale amount + exp. + OSI at gross doc. rate then OTS would be done on bal. sale amt. + exp. + OSI.
-) In case valuation is more than bal. sale amt. + exp. + OSI then the OTS would be done on bal. sale amt. + OSI + Compound intt. + exp. or the valuation whichever is lower.

In all such cases where there are heavy overdues, the purchaser will be given a notice to settle the account within three months of the date of receipt of the notice as per above formula, failing which Corporation will be free to take action for re-sale of the unit U/s 29 of SFCs Act.

9. **OTS for Standard & Sub-standard cases :**

Normally, OTS in Standard & Sub standard cases shall not be considered by the Corporation. However, in exceptional circumstances, such as death of main promoter, natural calamity, change in Govt. Policy, change in sector specific environment, unimplemented projects etc., OTS proposed may be processed with the prior permission of Managing Director, on case to case basis. The OTS in such cases shall be considered on full liabilities as per ledger as on preceding quarter payable within 03 to 06 months with 50% cash down payment with no intt. free period.

10. **OTS of Soft Loan / Seed Capital from IDBI / SIDBI :-**

SIDBI vide their letter dated 23.7.2009 has informed that when ever any case is settled by Corporation it should also cover the liabilities of NPA of equity soft loan and the settled amount shall be shared with SIDBI in proportion to the outstanding term loan & soft loan. Equity soft loan dues can not be kept out of the purview of the OTS settlement.

Therefore, the accounts under this category may be settled by charging service charges @ 1% & 5%, as applicable on simple basis alongwith additional charges @ 2%. After retaining the portion of the service charges admissible to the Corporation the balance amount may be remitted to the SIDBI/IDBI. No separate administrative charges for recovery of soft loan would be chargeable from the borrowers.

11. **Payment of OTS amount (excluding Standard & Sub standard cases) :-**

At the time of making application under proposed guidelines, the borrowers will be required to deposit token amount equal to 10% of OSP in the account as on date of application as upfront. Within one month from the date of approval of settlement by the Corporation an amount equal to 25% of the settlement amount less amount deposited alongwith the OTS application shall have to be paid by the borrower. The balance settlement amount shall have to be paid preferably within one



year but not more than two years from the date of approval letter in equal quarterly instalments together with 13.5% simple interest on balance/deferred OTS amount till the date of final payment. Initially intt. free period of 03 months shall be provided from the date of approval letter. Any accrued interest/service charges from the date of adjustment table to date of approval of OTS shall stands automatically waived off after the payment of entire OTS amount alongwith interest on OTS etc.

Any amount received towards the settlement amount, shall be first adjusted towards Interest accrued on the settlement amount and balance shall be adjusted towards OTS instalment. The existing Circular in this regard shall remain in force.

12. Delegation of powers for approval of OTS :

The following delegation of powers is proposed to decide/sanction OTS amount as per settlement module :-

12.1 Regional Manager-

R.M.s would be empowered to sanction OTS in cases where total disbursed amount is upto Rs. 10.00 lakh, which covers the settlement formula (except the cases of theft/fraud and where write off is involved) **including the purchaser account treating deferred sale amount as amount disbursed provided other conditions of OTS of purchaser accounts are fulfilled** alongwith the cases of Composite loan & Handloom Weavers Scheme in the following manner:-

-) The cases involving write off (only in Loss cases), theft, fraud etc. would be put up to Settlement Committee for decision.
-) The cases of Composite/Handloom Weaver Scheme will be approved by RM irrespective of the fact whether write off is involved or not.

All the cases shall be routed through Regional Negotiation Committee for approval of RM.

12.2 Zone Incharge :

Zone Incharge would be empowered to sanction OTS in cases in which total disbursed amount is above Rs.10.00 lacs and upto Rs. 25.00 lakh which covers the settlement formula (except the cases of theft/fraud and where write off is involved) **including the purchaser account treating deferred sale amount as amount disbursed provided other conditions of OTS of purchaser accounts are fulfilled.** The cases involving write off (only in Loss cases), theft, fraud etc. would be put up to Settlement Committee for decision.

12.3 Managing Director :

Managing Director would be empowered to sanction OTS in cases in which total disbursed amount is above Rs.25.00 lakh, which cover the settlement formula (except the cases of theft/fraud and where write off is involved) **including the**



purchaser account treating deferred sale amount as amount disbursed provided other conditions of OTS of purchaser accounts are fulfilled. The cases involving write off (only in Loss cases), theft, fraud etc. would be put up to Settlement Committee for decision.

The cases to be approved by MD shall be routed through a Sub-Committee constituted at HO consisting of concerned Zonal Incharge as Chairman and one officer each from finance, technical, legal wings. The Sub-Committee may be constituted by MD suitably.

All OTS approved cases of individual powers shall be put up to the Settlement Committee for information within one month's time.

12.4 Settlement Committee :

The following category of cases would be put up for decision on OTS proposals:

-) Cases covered under settlement module of OTS guidelines pertaining to all joint financed cases, Lease financed cases, write off involved cases of Loss category of assets only, theft/fraud cases.
-) Small cases where disbursed amount is upto Rs. 5.00 lakh and OTS proposal is below the settlement formula.
-) **OTS proposals of Semfex & SRTO scheme irrespective of loan amount where commercial vehicles have been financed and OTS amount is below the settlement formula on merits, taking into account the following parameters :-**
 -) **Where the borrower or the majority of the borrowers are Senior Citizens or when account is being settled by widow/legal heirs of the borrower/ borrowers.**
 -) **The income of the borrower is not more than Rs. 2.50 lacs p.a.**
 -) **The borrower is residing in the same house which has been given as Collateral security.**

12.5 Executive Committee:

The Executive Committee may consider the proposals below the settlement module for taking decision.

13. Revival of cancelled OTS cases :

- i) Waiver of interest on DADP in OTS cases where Term loan amount disbursed is upto Rs.2.00 lacs.

Where entire/part OTS amount has been received, Corporation will consider waiver of entire interest on DADP provided balance OTS amount is deposited within one month. R.M.s would be empowered to approve such type of cases through Regional Negotiation Committee.



ii) Cases other than (i) above

Only those cancelled OTS cases shall be considered for revival where borrower has paid atleast 25% of OTS amount within currency period, subject to the following :-

- . If the borrower approaches for revival within a period of 02 years from the date of cancellation or expiry date of currency period of OTS whichever is earlier, then the revival of the cancelled OTS shall be done if borrower makes payment of the balance amount of OTS alongwith entire simple Interest @ 13.5% on defaulted amount for defaulted period (DADP) upfront.
- . If the borrower approaches for revival after a period of 02 years from the date of cancellation or expiry date of currency period of OTS (whichever is earlier), but before a further period of 05 years, then the revival of the cancelled OTS shall be done by taking difference of amount OTS approved and amount of fresh OTS (assuming earlier OTS as cancelled) after deducting the payment already made towards the cancelled OTS. However, the amount to be paid for revival will not be less than the balance OTS amount + 13.5% simple interest on DADP. No revival of OTS shall be done thereafter & only fresh OTS shall be done.
- . If the Corporation has received any valid sale offer after cancellation of OTS then OTS amount for revival will be the amount equivalent to the sale offer. In such case the amount to be deposited by the party for revival of OTS will be equal to the amount of sale offer received – amount paid after OTS. This can be explained by following example: -

OTS amount approved	Rs.20.00 lakh
Paid	Rs. 2.00 lakh
Balance OTS amount	Rs.18.00 lakh
SI on DADP @ 13.5%	Rs.10.00 lakh
Amt. to be paid for revival	Rs.28.00 lakh
Valid sale offer received	Rs.32.00 lakh
Final amount to be paid for revival	Rs.32.00 – Rs.2.00= Rs.30.00 lakh

In no circumstance the amount to be paid for revival will be less than the balance OTS amount + 13.5% simple Interest on DADP.

- d. Revival of OTS cases of Loss category shall continue to be settled as per existing policy i.e. if borrower makes payment of the balance amount of OTS alongwith entire simple Interest @ 13.5% on defaulted amount for defaulted period (DADP) upfront.

iii) Delegation of powers for revival of OTS :

(a) Regional Manager-

R.M.s would be empowered to revive the cancelled OTS in cases in which total disbursed amount is upto Rs. 25.00 lakh including the cases of Composite loan & Handloom Weavers Scheme. All the cases shall be routed through Regional Negotiation Committee for approval of RM.



(b) **Zone Incharge :**

Zone Incharge would be empowered to revive the cancelled OTS in cases in which total disbursed amount is above Rs.25.00 lacs and upto Rs. 50.00 lakh.

(c) **Managing Director**

Managing Director would be empowered to revive the cancelled OTS in cases in which total disbursed amount is above Rs.50.00 lacs.

All the payments received under the revised/restructured OTS shall be adjusted first against Simple Intt. on DADP as mentioned above and thereafter the balance amount shall be adjusted against the balance OTS amount.

14. **OTS in case of individual partner & Director :**

Efforts should be made by Regional Offices to do OTS with all the partners/directors, simultaneously. However, if the situation so warrants the amount may be settled individually with partner, director, guarantor without dilution in security, on merits and facts of the case. Such cases with proper justification would be put up before the Settlement Committee for consideration & decision.

15. **Rate of Interest during the period of OTS :**

Interest free period of 3 months shall be provided in each case for payment of OTS amount from the date of approval letter. Any accrued interest/service charges from the date of adjustment table to date of approval letter of OTS shall stand automatically waived off after the payment of entire OTS amount alongwith interest on OTS etc. However, in case the OTS payment period extends beyond 3 months, simple interest at 13.5% rate of interest would be charged after intt. free period of 03 months on reducing balance basis. The amount other than OTS amount shall be treated as waived off automatically.

16. **Communication of OTS approval and acceptance by borrowers :**

On receipt of sanction of OTS proposal by the approving authority, the OTS approval letter in the format already prescribed as per OTS guidelines should be issued by R.M. to the borrower unit/company. It should be ensured that all the terms & conditions as stipulated by the approving authority including usual terms & conditions have been duly incorporated in the OTS approval letter signed by an authorized official/person of the unit within 15 days from the date of issue, as a token of acceptance of the terms & conditions mentioned therein. In case the same is not return in the stipulated period, the Corporation has right to withdraw the approval for OTS and initiate suitable action as per the terms of provisions of the loan agreement.



17. **Accounting procedure in OTS cases :**

Accounts department would open a new Account on the name of borrower where entire OTS amount would be considered as principal. The treatment of account would be done as under: -

- a) Amount received as Earnest money, down payment and aggregate OTS would first be adjusted towards OTS amount.
- b) Simple interest accrued at 13.5% rate of interest after giving the benefit of interest free period would be funded separately on quarterly basis. Total S.I. thus accrued would be recovered first within the total OTS period approved by the competent authority.
- c) In the event, the borrower does not honour the full OTS payment, with regard to recovery of eligible dues, it would become necessary to revert back to the position prior to the OTS approval and re-calculated the dues in terms of the loan agreement. Regional Office should therefore continue to maintain the existing borrower's account in loan ledger folio.

18. **Settlement Committee :**

The Settlement Committee as constituted by Board from time to time shall continue to exercise the power delegated by Board to settle the accounts.

19. **Incentive for quick payment**

- a) **If the borrower pays OTS amount within 30 days he shall be given a rebate of 5% on interest component of OTS amount.**
- b) **If the borrower pays OTS amount within 45 days he shall be given a rebate of 3% on interest component of OTS amount.**

20. **General norms of the OTS :**

- (i) The OTS amount will be decided on the basis of the liabilities as on the preceding quarter of the date of approval.
- (ii) Permission for sale of assets to pay OTS amount (on request of borrower) may be granted subject to :
 - a) That title paper of mortgaged property will be released to borrower only after receipt of entire OTS amount alongwith interest. Any Sale deed executed by borrower without paying OTS amount in full shall be invalid.
 - b) Sale deed shall will not be executed by the Corporation.
 - c) Due to delay in sale of assets by borrower, delay in payment of OTS amount and interest thereon will be not condoned.
- (iii) If party fails to deposit atleast 50% of OTS amount within the schedule OTS payment period, then OTS will be cancelled and amount deposited shall be adjusted towards interest.



- (iv) Interest rate on deferred amount of OTS will carry 13.5% rate of interest p.a. Any amount received after OTS will be first adjusted towards interest of OTS amount & thereafter towards principal of OTS.
- (v) In any case no refund or cash outflow will apply as a result of the OTS settlement.
- (vi) In case of an OTS settlement the amount of the settlement will not be less than the valid sale offer received by the Corporation with earnest money.
- (vii) Borrower has to submit application for OTS alongwith relevant details, documents and earnest money. In case of wrong information benefits will be withdrawn and penal action will be initiated.
- (viii) In case of settlement borrower will not have any right on insurance claim after applying for OTS. Such revenue will belong to the Corporation.
- (ix) Any expenses incurred/accrued from the date of approval of OTS till the date of payment of the entire OTS amount alongwith interest shall have to be paid by the borrower over and above the OTS amount.
- (x) Other usual terms & conditions of OTS guidelines approved earlier shall also applied.
- (xi) Calculation of OSI will be done as under by following the example given below :-

Example for computation of outstanding Simple Interest (OSI) for OTS :-

The following example is given for clarification of Staff. Say loan of Rs. 20.00 lacs has been sanctioned to ABC Co. Ltd., the account position is as follows :-

M/S ABC Co. Ltd.	(All Figures hypothetical) (Rs. in lacs)
Loan sanctioned	20.00
Loan disbursed	19.50
Outstanding Principal	19.50

OVERDUES :

Principal	15.00
Interest	31.32
Interest rate	20%
Date of sanction	10.1.89
Date of last disbursement	20.5.90



Year – wise Interest debited & Interest paid is as under : (Rs. in lacs)

Financial Year	Total Intt.	S.I.	D.I.	CI	Intt. paid
1990-91	4.00	3.80	0.10	0.10	0.50
1991-92	4.45	3.90	0.35	0.20	0.60
1992-93	4.70	3.90	0.50	0.30	0.40
1993-94	4.80	3.90	0.58	0.32	0.60
1994-95	4.92	3.90	0.60	0.42	0.75
1995-96	5.15	3.90	0.70	0.55	1.00
1996-97	5.40	3.90	0.80	0.70	2.00
1997-98	5.75	3.90	1.00	0.85	2.00
TOTAL :	39.17	31.10	4.63	3.44	7.85

In above Rs. 7.85 lacs will be adjusted towards payment of 1990-91 (Rs. 4.00 lacs) & out of balance Rs. 3.85 lacs (Rs. 3.38 lacs i.e. $3.85 \times 3.90 / 4.45$ will be adjusted towards S.I. for the year 1991-92 hence outstanding simple interest (OSI) of 1991-92 will be Rs. 0.52 lacs i.e. $(3.90 - 3.38)$. The outstanding interest to be considered for settlement will be Rs. 23.92 lacs i.e. as follows:-

1991-92	Rs. 0.52 lacs
1992-93	Rs. 3.90 lacs
1993-94	Rs. 3.90 lacs
1994-95	Rs. 3.90 lacs
1995-96	Rs. 3.90 lacs
1996-97	Rs. 3.90 lacs
1997-98	Rs. 3.90 lacs
TOTAL	Rs. 23.92 lacs



Annexure – I

Bundelkhand, Eastern UP and small dist./town/area where valuation of private land based on average of circle rate and market rate shall be applicable:-

Bundelkhand Area

- District Jhansi – Area outside Jhansi City.
- District Jalaun
- District Hamirpur
- District Mahoba
- District Banda
- District Chitrakoot
- District Lalitpur

Eastern U.P.

- District Allahabad – Area outside Allahabad City.
- District Pratapgarh – Area outside Pratapgarh City
- District Kaushambhi
- District Fatehpur – Area outside Fatehpur City.
- District Varanasi – Area outside Varanasi City.
- District Sant Ravidas Nagar – Area outside Bhadohi City.
- District Chandauli.
- District Sonbhadra
- District Mirzapur
- District Jaunpur
- District Ghazipur
- District Balia
- District Faizabad – Area outside Faizabad City.
- District Sultanpur – Area outside Sultanpur City.
- District Raibareli– Area outside Raibareli City.
- Amethi.
- District Shravasti
- District Gonda
- District Bahraich
- District Ambedkar Nagar
- District Gorakhpur – Area outside Gorakhpur City.
- District Basti – Area outside Basti City.
- District Santkabir Nagar
- District Deoria
- District Kushinagar
- District Maharajganj
- District Sidharth Nagar
- District Azamgarh– Area outside Azamgarh City.
- District Mau – Area outside Mau City.



OTHER AREAS/Small Distt./Town

- District Etah– Area outside Etah City.
- District Kanshiramnagar – Area outside Kasganj City.
- District Mahamaya Nagar (Hathras) – Area outside Mahamaya Nagar City.
- District Firozabad – Area outside Firozabad City.
- District Mainpuri – Area outside Mainpuri City.
- District Farrukhabad-- Area outside Farrukhabad City
- District Etawah – Area outside Etawah City
- District Kannauj- Area outside Kannauj City
- District Auraiya
- District Badaun
- District Pilibhit– Area outside Pilibhit City.
- District Shahjahanpur – Area outside Shahjahanpur City.
- District J.P. Nagar
- District Bagheshwar
- District Champavat
- District Dehradun – Area outside Dehradun City.
- District Chamoli
- District Rudraprayag
- District Uttarkashi
- District Pauri
- District Tehri
- District Lakhimpur Kheeri- Area outside City area

Note:- Area outside City means :-

-) Outside Indl. Area of Dev. Authority viz. UPSIDC, GIDA, Indl. Estates etc.
-) Outside Municipal limit, Nagar Palika limit, Nagar Palika Parishad and Nagar Panchayat limit.

