

## **KSIIDC**

### **A. ONE TIME SETTLEMENT (OTS) POLICY (FY 2009-10) (includes amendments approved by the Board of KSIIDC on 27-12-2011)**

#### **1. VALIDITY:**

- 1.1 The scheme shall be in operation from the date of approval of the Board till 30<sup>th</sup> June 2010. The same has been extended for a further period ending 31<sup>st</sup> March 2012. or till the new policy is approved by the Board, whichever is earlier.

#### **2. ELIGIBILITY CRITERIA:**

- 2.1 a) All the loanee accounts coming under “doubtful” category as categorized by KSIIDC as on March 31, 2008 and which continue to be so.
- b) The following loanee accounts are also included in the eligible category:
- (i) Loanee accounts where primary assets have been taken over and sold.
  - (ii) Loanee accounts taken over u/s 29 of SFCs Act wherein at least 2 advertisements have been made for sale of the primary assets and the assets remain either fully or partly unsold.
  - (iii) Loanee accounts where Personal Guarantee (PG) petitions are filed.
  - (iv) Loanee accounts pending in BIFR with the consent of BIFR wherever necessary.
  - (v) Loanee accounts transferred to Memorandum of Register.
- c) Loanee accounts coming under sub-standard category as on March 31, 2008 and which continue to be so, may also be considered for settlement of dues under OTS subject to obtaining prior approval of the MD on the file accompanied by proper justification.

#### **2.2 INELIGIBLE CASES:**

- (i) Loanee accounts of willful defaults, fraud and malfeasance (evil doing) are not eligible.
- (ii) Where KSIIDC has information that the borrowers are net-worthy and have sufficient properties to repay the loans but are trying to thwart the recovery proceedings by resorting to multiplicity of litigation or through other means.
- (iii) Value of realizable primary and collateral securities is more than 3 times of normal loan dues.

### 3. **SETTLEMENT FORMULA:**

3.1 The following settlement formula is applicable:

Sl. No.	Situation	Bench Marks
I	Value of primary security + collateral security + total networth of the guarantors is more than the amount payable on SI basis but less than 3 times of normal loan dues.	Principal Outstanding + Minimum on SI basis (without any write-off).
II	Value of primary security + collateral security + total net worth of the guarantors is less than the amount payable on SI basis but more than principal dues.	Equivalent value of security (without any write-off) subject to principal outstanding and a minimum yield of 6% on SI basis.
III	Value of primary security + collateral security + total net worth of the guarantors is less than the principal amount.	Amount not less than the value of the security as determined by KSIIDC.

- Valuation of land should not be less than the latest Sub-Registrar (SR) guidance value as applicable to the area. Also, the assessed market value for the land should be indicated. The higher of the values of the land as above should be compared with the value of land taken at the time of sanction of the loan and the highest of the above values should be taken for settlement of OTS.

- 3.2 In cases where the primary and collateral properties have been sold / released and the sale realization proceeds duly appropriated against the dues of the Company and where the personal guarantees of the guarantors are invoked, the settlement formula indicated below is applicable for release of the personal guarantees.

Sl. No.	Situation	Bench Marks
(a)	Total net worth of the guarantors is more than the amount payable on SI basis.	Equivalent value of security subject to minimum amount on SI basis [without any write-off].
(b)	Total net worth of the guarantors is less than the amount payable on SI basis but more than principal dues	Equivalent value of security (without any write-off) subject to a minimum yield of 6% on SI basis.
(c)	Total net worth of the guarantors is less than the principal amount.	Amount not less than the value of the security as determined by KSIIDC

**Note:**

- (i) OTS proposals involving payment of amount less than principal should be discouraged, unless there is sufficient justification for doing so. In such cases, the reason why the proposal deserves to be considered should be clearly explained. However, in such cases the OTS amount shall not be less than the value of security assessed/determined.
- (ii) Other debits should be paid by the borrower in addition to the OTS amount crystallized based on the settlement formula indicated above.
- (iii) Valuation of the assets, primary security and collateral security be carried out by TECSOK in respect of all proposals under OTS. However, valuation by an approved valuer can also be resorted to after due justification and with prior approval of the Managing Director.
- (iv) Identification, verification and valuation of the personal property, both immovable and movables (excluding promoters investment in the loanee Company) should be done by the concerned Officer and certified by the concerned HOD. The valuation of the personal property shall be based on market value or SR value or value declared at the time of availing financial assistance from KSIIDC, whichever is higher. Where necessary and if the value is very high, the valuation may also be done by TECSOK or an approved valuer with prior approval of the Managing Director.

- (v) OTS proposal as well as the valuation of the personal property should be processed in the prescribed formats.
- (vi) If the collateral security is the only residential building of the promoter guarantors / third party, (i.e. to say that where a person who is not a director / partner / guarantor for the loan) where they are living themselves, (a declaration to the above by way of a duly sworn affidavit by the owner to be furnished) a concession up to 25% of the value of collateral security may be shown while computing the amount payable provided there is no write-off. However, this does not apply to non-residential and other properties.
- (vii) In the case of personal properties identified in the name of the promoter guarantors, a concession of upto 50% of the unencumbered value of such properties may be shown while computing the amount payable. The methodology for arriving at the value of the personal property shall be as follows:
  - 50% of the net value of the property (Net value = total value – liabilities)
- (viii) While arriving at the OTS amount the relevant court orders, attachment against the properties of the promoters and the secured assets, etc., should be factored with proper justification.

### 3.3. **MODE OF PAYMENT (under OTS)**

- (a) 10% of the principal amount shall be paid along with letter conveying the loanee's consent for the OTS proposal. This amount shall be kept in the OTS account (which will not attract any interest) till a decision on the OTS is taken. The OTS proposal shall be processed within two months from the date of receipt of the required information. Eligible Loanee constituents are required to furnish an Affidavit as per the proforma enclosed.
- (b) The OTS communication shall be issued after obtaining approval from the relevant competent authorities. The unit shall send acceptance for OTS to KSIIDC within 15 days from the date of communication of OTS.
- (c) The OTS amount communicated shall be paid as follows:

25% of the OTS amount (including the initial payment)	Within 30 days from the date of communication without interest.
Balance OTS amount	Within 120 days from the date of communication without interest.

The Loanee constituents will be required to submit post dated cheques to adhere to the payment terms prescribed under this OTS approval.

- (d) However, payments made beyond the above period will carry interest at 14% per annum on Compounding (CI) basis for the delayed period on the balance OTS amount subject to:
- 100% of the OTS amount being paid within 9 months from the date of communication.
- (e) The responsibility of settling the statutory dues viz., Sales Tax, VAT, Central Excise or Customs dues, PF, ESI and other statutory dues shall rest only on the borrowers.

#### **4. APPEAL / REVIEW**

- (a) Appeal against the OTS amount communicated as above to the borrower may be entertained subject to the borrower making payment of 25% of the OTS amount, within 30 days from the date of OTS communication.
- (b) Where the appeal is against the OTS approval by the Sub-Committee under powers delegated to it then the appeal shall be to the Board.
- (c) Where the OTS is approved by the Board no appeal lies against its decision. However, a review application may be submitted on sufficient grounds to the Board after making payment of 25% of the OTS amount within 30 days from the date of communication.
- (d) A decision to accept the appeal / review for reconsideration or rejection shall be taken within one month from the date of receipt of appeal / review application or for consideration by the Board in its next meeting whichever is later. In case of reconsideration, the appeal / review should be disposed off within three months from the date of acceptance of the appeal / review or after such reconsideration by the Board in its next meeting whichever is later

#### **5. GENERAL GUIDELINES:**

- 5.1 The norms and guidelines of this policy will be applicable in cases of all OTS proposals received from the date of approval of this policy by the Board till the validity period. All pending OTS proposals where the OTS is not yet approved will be governed by the new policy.
- 5.2 In respect of loanee accounts covered under Debt Restructuring Scheme (DRS) / Refinance Scheme for Rehabilitation of Sick Units (RSR) / One Time Interest reduction scheme, eligible to be covered under this policy, the benefits granted earlier under the DRS / RSR / One time interest reduction scheme shall be

withdrawn and the liability shall be reckoned based on the original contract rate of interest for the purpose of computing and crystallizing the OTS amount.

- 5.3 In the event of disputes and differing interpretations / connotations on the policy guidelines and its implementation, the decision of the MD, shall be final and binding.
- 5.4 MD is authorized to relax or modify the time required for obtaining consent letter from the loanee Companies / Firms for OTS and the time schedule for the initial and subsequent payments based on the overall assessment of the proposal and risk perception in the interest of KSIIDC. However, no consent letter can be accepted from the loanee beyond the stipulated period after 30<sup>th</sup> June 2011.
- 5.5 In respect of loan accounts which do not become eligible for OTS under the above guidelines and if these loan accounts still prefer to exit from KSIIDC then the following reliefs may be approved by the MD subject to proper justification.
  - i) Waiver of uncollected penal interest.
  - ii) Waiver of a portion or entire premium to be paid for pre-closure of the loan account.

**B. GUIDELINES FOR RELEASE OF COLLATERAL PROPERTY/(S) (FY 2009-10)**

1. This is not an OTS scheme. The guidelines are only for release of collateral property upon payment of specified amount by the borrower / surety.

1.1 Validity:

The guidelines will become operational from the date of approval of the Board till 30<sup>th</sup> June 2010. The same has been extended further upto 30<sup>th</sup> June 2011.

**2. Eligibility Criteria:**

2.1 a) All borrowers / guarantors where primary assets are sold fully and collateral property / (s) covered / to be covered under Sec.31 of SFC's Act 1951.

b) The borrowers/ guarantors involving third party (i.e. to say that where a person who is not a director / partner / guarantor for the loan) collateral property/ (s) / security (s) which are proceeded under Section-31 of SFC's Act 1951 and where the primary security / (s) are sold fully.

c) Borrower Account transferred to Memorandum of Register.

**3. Valuation:**

3.1 The valuation of collateral property / (s) shall be carried out by TECSOK indicating both the Sub-Registrar (SR) value and market disposable value. In addition, valuation by an approved valuer can also be resorted to after due justification and with prior approval of the Managing Director. Further, the value declared at the time of availing financial assistance from KSIIDC shall also be reckoned and the highest value of the above i.e. SR value or market value or value declared at the time of availing financial assistance shall be considered as the final value determined for release of the property.

**4. Settlement Options (Collaterals):**

- i) 15% concession on the value (determined as per the general guidelines – 7c) of collateral property, where the property is located in Bangalore Urban, Rural Districts and other State capitals.
- ii) 20% concession on the value (determined as per the general guidelines – 7c) of collateral property where the security is located in Mysore, Mangalore, Dharwar, Belgaum Districts and other similar major cities in other states.
- iii) 25% concession on the value (determined as per the general guidelines – 7c) of the collateral property where the security is located in any of the other districts of the state and similar cities in other states.

## **5. Declaration:**

- 5.1 A declaration / sworn affidavit on applicable stamped paper shall be obtained from the owners with regard to the property / (s) owned by them. The same shall be further examined / verified (after obtaining all supporting documentary evidences) and be certified by the concerned officer and the Head of Dept (HOD) of the Department / zones.

## **6. Mode of Payment**

- 6.1 The payment terms shall be as under:
- a) 25% of the settled value within 30 days from the date of letter of KSIIDC including the initial amount paid.
  - b) Balance 75% of the settled value within 120 days from the date of letter of KSIIDC.
  - c) The amount payable as above if paid within the stipulated period shall not carry any further interest.
  - d) However, payments made beyond the above period shall carry interest at 14% p.a. on Compounding (CI) basis for the delayed period, not exceeding 6 months.
  - e) If the payment as above is not received within 6 months, the amount paid towards release of collateral property / (s) will be forfeited and appropriated towards the loan dues of the borrower.

## **7. General Guidelines for Release of Collateral Property / s :**

- a) The valuation of the collateral property shall be carried out by TECSOK based on the market value as well as SR value. The valuation so done by TECSOK may be tested through informal enquiries for its accuracy.
- b) While arriving at the value of the collateral property the relevant Court orders, attachment against the properties of the promoters and the secured assets etc., should be factored with proper justification.
- c) The valuation of collateral property shall be based on the market value or SR value or value declared at the time of availing financial assistance from KSIIDC, whichever is higher.
- d) In case of requests for release of collateral property, the surety shall pay a minimum of 25% of latest SR value of the property as initial amount (which will not attract interest) to process the proposal request.

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