

"POLICY FOR COMPROMISE SETTLEMENT OF CHRONIC NON-PERFORMING ASSETS (DOUBTFUL LOAN ACCOUNTS) OF HARYANA FINANCIAL CORPORATION-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 Haryana Financial Corporation-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/borrowers of HFC which were classified as NPA Accounts that have become doubtful up to 31.3.2018 and continue as such.
- b) The policy would also cover cases wherein Corporation has taken action under Section 29 of SFCs Act, RC issued cases and also cases pending before Courts/ DRT cases, BIFR/AAIFR cases & cases where orders for winding up have been passed. However, in such cases the borrowers shall be required to give an affidavit for withdrawal of the case or obtain consent decree from Court(s)/ DRT/ BIFR/AAIFR.
- c) The policy would also cover cases pertaining to Lease Finance, bridge loans, Working Capital Loans/ Working Capital Term Loans and Soft Loan Cases.
- d) The policy will not cover cases where the Corporation had approved settlement under any of the ongoing scheme or previous settlement schemes of the Corporation and settlement has not been cancelled till 31/05/2021.

This Policy, however, will not apply in respect of cases already settled and no old case would 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 the 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 31st, 2018 which is as under:-

Category of Asset/ Account	Age of Default
Standard Assets	0-90 days
Non Performing Assets (NPA)	Default exceeding 90 days
Sub-Standard Assets	Classified as NPA for a period not exceeding 12 months
Doubtful Assets	Classified as NPA for a period exceeding 12 months
Loss Assets	No security available

Likewise NPA definition for leasing accounts would be as per RBI guidelines as applicable as on March 31st, 2018.



4. SETTLEMENT FORMULA - AMOUNT & CUT OFF DATE

Sr. No.	Type of Account	Settlement Amount
1	Doubtful loan cases where loan amount availed (combined for all accounts of a case) is up to Rs. 25.00 lakh	<p>The case may be settled at double the computed settlement amount irrespective of the value of the available mortgaged securities. Misc. expenses incurred if any by the Corporation shall be waived off.</p> <p><u>Computed settlement amount shall be worked out as under:</u></p> <p>The computed settlement amount under the Policy in respect of Compromise Settlement of NPAs classified as Doubtful Account up to 31.3.2018 would be the outstanding balance (principal plus interest) in the account as on the date on which the account was categorised as Doubtful Account less the amount recovered from the date of account becoming doubtful till date of approval of settlement.</p> <p>To arrive at the computed settlement amount, the account will be re-casted by appropriating the normal recoveries first against the 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 principal amount and balance, if any, will be adjusted against the outstanding interest.</p> <p>Any amount received from the eligible defaulting borrower after the cut-off date will be adjusted towards the computed settlement amount provided that in no case the computed amount shall be less than the principal (after recasting).</p>
2	Doubtful loan cases where the loan amount availed is above Rs.25.00 lakh	<p>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 (Principal, Misc. Expenses and Interest) 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 @ 13.50% p.a. from the date the account became doubtful after giving credit of the payments received subsequent to the cutoff date including</p>



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 towards simple interest and balance towards the amount outstanding on cut off date. However, in no case the account shall be settled at less than the principal amount.

To arrive at the outstanding amount as on the date the account became doubtful (cut off date), the account will be recasted 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.

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.



5) **Lease Finance Cases**

- i) In Lease Finance Account, the outstanding balance on the cut off date shall be the amount of rentals overdue along with penal interest and expenses etc. outstanding plus amount of balance principal due as per capital recovery method up to the cut off date. In leasing cases where amount availed is upto Rs. 25.00 lakh, settlement formula shall be as per Sr. No. 4.1 above. In cases where amount availed is above Rs. 25.00 lakh, settlement formula shall be as per Sr. No. 4.2 above.
- 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 Cases.

6) **Soft Loan/Soft Seed Capital Accounts**

In the cases of Soft Loan/Soft Seed Capital, the accounts may be settled at principal amount plus services charges @1% to 5% as applicable and by waiving off misc. expenses by recasting the ledger.

- 7) The term "outstanding balance" shall mean the amount recoverable from the borrower as on the cut off date as per documented term. In other words aggregate principal outstanding along with interest and other charges as on the cut off date shall be taken as the outstanding balance.
- 8) 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.

9) **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.

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c. i) 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 in cases where loan amount availed is above Rs.25.00 lakh:-

Time Schedule	Rebate in interest
Within 30 days	3% interest rebate on 13.50% p.a. while calculating simple interest from the cut off date i.e. interest shall be 10.5% p.a.
31 days to 60 days	2% interest rebate on 13.50% p.a. while calculating simple interest from the cut off date i.e. interest shall be 11.5% p.a.
61 days to 90 days	1% interest rebate on 13.50% p.a. while calculating simple interest from the cut off date i.e. interest shall be 12.5% p.a.
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 issue of settlement approval letter by the Corporation (10% down payment already 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 issue of approval letter of settlement by the Corporation in 4 equal quarterly installments together with simple interest @13.50% p.a. from the date of approval of settlement up to the date of final payment. The interest accrued on the settlement amount in such cases shall be required to be paid in quarterly installments.

ii) In cases where loan amount availed is up to Rs.25.00 lakh, the settlement amount can be paid by the borrower within 60 days without interest from the date of issue of approval letter of the settlement in terms of this policy.

Alternatively, an amount equal to 25% of the settlement amount shall be payable within one month from the date of issue of settlement approval letter by the Corporation (10% down payment already 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 issue of approval letter of settlement by the Corporation in 4 equal quarterly installments together with simple interest @13.50% p.a. from the date of approval of settlement up to the date of final payment. The interest accrued on the settlement amount in such cases shall be required to be paid in quarterly installments.

d) **Payment terms (Leasing Cases):-**

At the time of making application under this Policy, the borrowers will be required to deposit amount equal to 10% of the principal as per Capital Recovery Method as on cutoff date as down payment. The modalities for balance payment in case of leasing cases will remain the same as in term loan cases depending upon amount availed i.e. whether it is up to Rs.25.00 lakh or above Rs.25.00 lakh.

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/BIFR.

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10) 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.

11) 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.

- 12) In the event, any of the One Time Settlement conditions do not get fructified, the benefit of this scheme will be forfeited and the amount received under this scheme shall be considered as if the same was received in the normal course under the account and shall be adjusted accordingly.

- 13) 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, Haryana Financial Corporation 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.

14) DEVIATION 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.

15) 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 the Corporation for decision and the decision of the Board of the Corporation shall be final.

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

LAST DATE FOR RECEIPT OF APPLICATIONS FROM BORROWERS WOULD BE AT THE CLOSE OF BUSINESS ON 30/11/2021.

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