

"POLICY FOR COMPROMISE SETTLEMENT OF CHRONIC NON-PERFORMING ASSETS (DOUBTFUL LOAN ACCOUNTS) OF HARYANA FINANCIAL CORPORATION, 2011"

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, 2011". This policy shall come into force with immediate effect.

CATEGORIES OF ACCOUNTS TO WHICH THIS POLICY APPLY.

1. This policy will cover all the accounts/borrowers of HFC which were classified as NPA Accounts that have become doubtful up to 31.3.2010 and continue as such.
2. The policy would also cover Court/ 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.
3. The policy would also cover cases pertaining to Lease Finance, bridge loans, Working Capital Loans/ Working Capital Term Loans and Soft Loan Cases.
4. 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 30/06/2013.

This Policy, however, will not apply in respect of cases already settled and no old case would be reopened.

a) ELIGIBILITY

For the purpose of determining eligibility, the NPA definition would be as per the guidelines of RBI applicable as on March 31st, 2010 which is as under:-

Category of Asset/ Account	Age of Default
Standard Assets	0-90 days
Non Performing Assets (NPA)	
Sub-Standard Assets	Classified as NPA for a period more than 3 months but not exceeding 15 months
Doubtful Assets	Classified as NPA for a period exceeding 15 months
Loss Assets	No security available

Likewise definition for leasing accounts would be as per RBI guidelines as applicable as on March 31st, 2010.

b) SETTLEMENT FORMULA - AMOUNT & CUT OFF DATE

The minimum amount that should be recovered under the Policy in respect of Compromise Settlement of NPAs classified as Doubtful Account up to 31.3.2010 would be 100% of the outstanding balance in the account as on the date on which the account was categorised as Doubtful Account plus Misc. Expenses debited till the adjustment of account under settlement less the amount recovered from the date of account becoming doubtful till date of approval of settlement.

To arrive at the settlement amount, 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 and provided further that the misc. expenses actually incurred upto the date of adjustment of loan account by the borrower in terms of settlement will also be recovered. HFC can negotiate with the borrower/guarantor to recover more than this amount.

c) 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 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 Cases.

- d) In the cases of Soft Loan/Soft Seed Capital, the accounts may be settled by charging services charges @1% to 5% as applicable by recasting the ledger.
- e) 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.
- f) 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.

g) **PAYMENT TERMS**

- i) The application under this scheme shall be made to the Corporation alongwith 10% of the Principal Outstanding and misc. expenses as per memorandum loan ledger before recasting by Demand Draft/Cash as down payment (non refundable amount).
- ii) 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 or alternatively:
- a) Within one month from the date of issue of approval letter of the settlement, the borrower shall make payment equal to 25% of the settlement amount less 10% down payment already deposited along with the application.
- b) The balance 75% amount shall be paid within one year from the date of issue of approval letter of settlement by the Corporation in 11 equal monthly installments together with interest @13% p.a. from the date of approval of settlement up to the date of final payment. The interest accrued on the settlement amount shall require to be paid with the last installment at simple rate of interest.
- iii) Any amount received from the eligible defaulting borrower after the cut-off date will be adjusted towards the settlement amount provided that in no case the settlement shall be less than the principal (after recasting) plus upto date miscellaneous expenses.
- iv) **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.

v) 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.

h) SANCTIONING AUTHORITY

The proposal for settlement of Loan Account will be placed before the Sub Committee constituted by the Board of the Corporation and recommendations of the Sub-Committee will be placed before the Board for final approval.

i) 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.

j) 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.

k) 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.

- In the event, any of the these conditions are not fructified, the benefit of this scheme will be forfeited and the money received under this scheme shall be considered as if the same was received in the normal course of recovery under the account.
- 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 31.03.2017.