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OTS Policy for Micro & Small Enterprises

OTS POLICY

The One Time Settlement Policy of the Bank covers all sectors including MSME. The OTS policy in line with SIDBI Scheme for OTS settlement of MSMEs has since been approved by the Bank for implementation. While general provisioning under the SIDBI Policy and our OTS Policy are in Conformity with each other, a few variations in the method of computing OTS acceptable amount in tune with SIDBI guidelines is now implemented as detailed below:

- Our existing OTS policy is based on the Net Present Value of the available security factored at 12% ,reckoning 4 years as the realisation period of the security which works out to 62% of the value of the property.
- OTS policy of SIDBI is based on the Distress Sale Value (DSV)of the security (assessed by two independent valuers). The DSV is reckoned at 75 % of the realizable market value as per SIDBI guidelines.

OTS policy for sick non-viable MSMEs

- Our policy will cover all NPA accounts including these assets where action is initiated under Sarfaesi Act, Lok Adalats, DRTs, Decreed accounts subject to obtaining consent decree from Court DRT/Lok Adalat.
- Accounts falling under willful default Fraud /Malfaesance shall be considered on a case to case basis with permission of CO
- Consortium if any with 75 % lenders consent

Settlement under OTS for MSME borrowers under NPA category
Security value or Notional amount due whichever is higher as under:

1) Security value

In order to adopt a more flexible approach to MSME borrowers in the OTS policy in respect of value of the property and also taking into account SIDBI guidelines in this regard, security value as lower of 'a' or 'b' given below:- the following approach:

a) 75 % of the FMV of the property

OR

b) Net Present Value as per our existing policy outlined herein

Note

✓ Fresh valuation, if the previous valuation is more than 1 year old. ✓
Two valuations if the approved value is more than Rs 5 crores. ✓ If the variation is more than 10 %, third valuation to be obtained

OTS policy for sick non-viable MSMEs

2) Notional Amount Due from the borrower

- A. Outstanding as on date of NPA
- B. ADD SI from NPA date till OTS app settlement date at BR
- C. ADD Bills Returned unpaid/ Invoked Guarantees after date of NPA
- D. ADD Int on the above till OTS date
- E. ADD other expenses
- F. ADD Legal expenses
- G. Less Recoveries made after NPA date
- H. Less countervailing Interest on the above
- I. NET Notional amount due from the party

OTS amount will be HIGHER of 1 and 2 above

OTS in case of LOSS Assets

Our bank's OTS policy covers all accounts in NPA category

PAYMENT PERIOD FOR OTS AMOUNT

- OTS amount should preferably paid within six months from the date of approval of OTS;
- 25% upfront and balance within six months without any interest
- If paid within a year, then interest at Base Rate from the sixth month to one year to be paid
- In exceptional cases, payment of OTS can be extended upto two years within interest.

Factors to be reckoned at the time of OTS offer

1. Realizable value of securities
2. Present status of the unit
3. Possibility of better recovery through other means
4. Provisions made
5. Consideration by other lenders ,if any
6. Impact of sacrifice on profitability
7. The premise of OTS to benefit both sides

If the borrowers fail to meet the OTS commitment all concessions will be Withdrawn and the bank will proceed with legal process for recovery of dues

- All other general provisions under our present OTS policy will apply to OTS for sick non-viable MSMEs also.

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