

MODIFIED ONE TIME SETTLEMENT (MDF-OTS- 07) SCHEME OF IPICOL

1. COVERAGE AND ELIGIBILITY:

i) It shall cover all Non Performing Accounts (NPA) more specifically the assets classified as doubtful / loss category as on 31.03.2007 as per RBI guideline on asset classification shall be eligible to apply under the MDF-OTS-07 scheme subject to not being ineligible for any other reason.

ii) In cases of loans where any proceeding(s) are pending before Judicial Courts, Debt Recovery Tribunal (DRT) / Board of Industrial and Financial Reconstruction (BIFR), such assisted unit(s) may also apply, if covered under clause 1(i) above and are otherwise also eligible-subject to the condition that the assisted unit(s) shall furnish an undertaking to withdraw the pending proceeding / case along with OTS application form. In the event of such application being considered for settlement under MDF-OTS-07 scheme, the assisted unit(s) shall be required to submit the consent / decree / permission from the respective Judicial forum and final withdrawal order of the case passed by the concerned Judicial forum voluntarily prior to issue of No Dues Certificate (NDC) subsequent to payment of settlement amount under MDF-OTS-07 and all other ineligible loans and other dues of IPICOL to the satisfaction of IPICOL.

iii) Cases otherwise eligible under clause 1(i) shall however, exclude the case where orders for winding up have been passed or official liquidator has been appointed. Moreover, in cases where BIFR has recommended for winding up, such cases shall also not be eligible to be covered under this scheme.

iv) The MDF-OTS-07 Scheme shall also be applicable to the cases where assets after seizure u/s 29 of SFCs Act, 1951 have been fully sold or partly sold or unsold.

v) In cases where IPICOL has obtained a decree from a competent Court with or without interest on the decreed amount, such cases may also be considered for coverage under the MDF-OTS-07 Scheme, if they are otherwise eligible. In such cases, the decreed amount along with interest, if any, or the settlement amount as arrived under this Scheme, whichever is less shall be the final settlement amount.

vi) The cases of willful default / fraud and malfeasance are normally not eligible for settlement. However, if OTS is found to be a better route for recovery, such cases may be processed with due care. Managing Director shall be the competent

authority to allow such cases for consideration under MDF-OTS-07 Scheme without prejudice to our action / outcome of any criminal cases initiated / to be initiated by IPICOL. Further, the borrower shall not be absolved from any action and his / her / their liability on account of willful default, fraud & malfeasance committed with any other financial institutions / agencies.

vii) *SWITCHOVER FROM EARLIER OTS SCHEMES:*

The assisted unit(s) coming under category 1(i) and who are otherwise eligible also and had applied for any of the earlier OTS Schemes and in whose cases, settlement order had been communicated and who had not paid the settlement amount so communicated, are allowed to switchover to MDF-OTS-07 Scheme by (a) making a fresh application under the MDF-OTS-07 Scheme, and (b) payment of initial deposit afresh as applicable to them under MDF-OTS-07 Scheme. However, in cases where settlement amount has been communicated and partial payment (if any) has been made by assisted unit(s) against earlier settlement amount, switch over would be allowed and such earlier payments inclusive of initial deposits shall notionally form part of the repayment without passing any reversal in books of account.

viii) This Scheme shall not cover any agency loan(s) (Seed Capital loan / IDBI Seed capital etc.). Dues under the above loans are normally payable over and above Settlement amount against eligible loans.

ix) The Guarantor(s) / Mortgager(s) for any loan, which is otherwise eligible to be considered under the MDF-OTS-07 Scheme are allowed to apply for settlement of the loan account for which such guarantee / mortgage is provided by the Guarantor(s) / Mortgager(s). In the event of successful payment of the settlement amount as determined under this scheme, the Guarantee / Mortgage shall be released in favor of the Guarantor(s) / Mortgager(s).

x) Notwithstanding anything contained in this scheme, IPICOL reserves the right to accept or reject any application for settlement of loan dues made under this scheme at any stage without assigning any reason thereof. Submission of application under this scheme and / or payment of initial deposit / settlement amount in part or full shall not debar IPICOL from taking recourse to other alternative measures for recovery of the outstanding dues from the applicant(s).

2. EFFECTIVE PERIOD:

The scheme shall come into operation with immediate effect.

3. INITIAL DEPOSIT:

All applicants under the MDF-OTS-07 scheme are required to make an initial deposit along with the application. Initial deposit shall be 10% of the principal (***principal in this case would mean aggregate of loan investments, other exposures like share investments and unsecured loans of quasi equity nature***) outstanding as on the date of OTS application for all applicants including switchover cases from earlier OTS schemes. In other words, both fresh applicants and switchover cases shall have to make payment of 10% of the principal outstanding amount under the new scheme to become eligible to avail themselves of the same. As regards payments made under the previous OTS policy in case of switchover cases, the same shall be treated as payment made over and above the initial deposit of 10% of principal outstanding under the new this new MDF-OTS-07 Policy.

4. PROCEDURE OF APPLICATION:

i) The eligible units must submit an application in the prescribed format along with other requisites wherever necessary.

ii) The application in prescribed format must be accompanied with requisite initial deposit by way of Demand Draft / Pay Order / Bankers Cheque etc. Applications not complying with this requirement shall be deemed to be incomplete and shall be liable for summary rejection. No acknowledgement can be issued for such applications.

iii) The application must also be accompanied with audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for past three (3) years along with other documents, if any as may be required. If audit for the last year is not completed, provisional Balance Sheet, Profit & Loss Account and Cash Flow Statement duly certified by a Chartered Accountant may be enclosed.

iv) On receipt of the OTS application along with required documents, if any, and upon payment of initial deposit as per applicability in the scheme, the applicant assisted unit(s) can be issued with an acknowledgement. This acknowledgement however, is only a record of the fact that the assisted unit(s) has submitted its/their application along with initial deposit to IPICOL on a specific date. Receipt of application and initial deposit and / or issue of acknowledgement for the same does not confer any right of acceptance of the OTS application on the applicant assisted unit(s). The application form so received shall be further subject to detailed scrutiny and verification of accounts, documents, assets etc. and in due course decision regarding the settlement or otherwise under the MDF-OTS-07 Scheme shall be communicated to the applicant assisted unit(s) by the competent authority of IPICOL.

5. SETTLEMENT FORMULA:

5.1 FOR LOAN ASSISTANCES

Amount disbursed plus Interest @ 10% to 12% till cut off date (30/03/2003) for cases under Sl.No. 1, 2, 3 less Repayment since inception till date of application.		
Sl. No.	Condition	Rate
1	Loan period is more than 20 years till cut off date (31/3/2003) or one who has repaid more than 200% of amount disbursed.	@ 10% p.a. till cut off date (31/3/2003).
2	Loan period is between 15 to 20 years till cut off date (31/3/2003) or one who has repaid more than 150% & up to 200% of amount disbursed.	@ 11% p.a. till cut off date (31/3/2003).
3	Loan period is up to 15 years till cut off date (31/3/2003).	@ 12% p.a. till cut off date (31/3/2003).

Further explanations on computation are given in paragraph 6 below.

5.2 FOR SHARE ASSISTANCES (INCLUDING UNSECURED LOANS OF QUASI EQUITY NATURE), MADE BY WAY OF DIRECT DISBURSEMENT

Settlement amount shall be computed, taking into account IPICOL's share investment along with the minimum prescribed return in the agreement(s) by discounting / reducing the same in the ratio of the sacrifice / remissions allowable for loan settlement(s). In case of unsecured loans the interest / return prescribed in the agreement(s) shall be considered in above computation.

5.3 AGGREGATE SETTLEMENT AMOUNT

The aggregate settlement amount shall be sum total of settlement amounts derived under 5.1 and 5.2.

NOTE: There will be no refund in whatsoever manner, in case one has already repaid to IPICOL over and above the Settlement amount as per the applicable parameters, indicated above, however, in such a case, the Settlement amount will be equivalent to the amount of Initial deposit.

6. COMPUTATION OF SETTLEMENT AMOUNT FOR LOANS:

- i) Determination of Band: Band mentioned in the Settlement Formula will be decided on the basis of total original principal disbursement of all loans availed by the assisted unit(s) excluding ineligible loans, Funded Capital Term Loan (FCTL) and Funded Interest Term Loan (FITL), if any. It will also not include disbursement of loans already closed.
- ii) Each eligible loan disbursed to a assisted unit(s) is to be taken as a separate loan for calculation of interest at applicable simple rate based on the age of loan mentioned in the column, "condition" of settlement formula.
- iii) The age of each eligible loan shall be determined by taking the weighted average of amount of each disbursement forming part of the loan and periodicity of each such disbursement vis-à-vis cut off date / date of application as the case may be.
- iv) In case an applicant assisted unit(s) has availed more than one eligible loan, age of loan for each such individual loan shall be calculated separately in the above manner. The settlement formula for each individual eligible loan shall be applied for each such loan separately, if different loans fall under different age limits or different quantum of repayment.
- v) Funded Interest Term Loan (FITL) account shall be ignored in above computation.
- vi) Repayment by a assisted unit(s) on account of a particular loan shall mean the payment made towards principal and interest for that particular loan. Payment on account of misc. expenses on L/A or others shall be ignored while calculating the repayment for arriving at the settlement amount of the particular loan.
- vii) Repayment made against FITL and interest thereon shall notionally be taken as payment towards the original loan(s) on pro-rata basis, from which such FITL.
- viii) In case the assisted unit(s) has availed more than one eligible loan, the settlement formula shall be applied against each individual loan and shall not be compared with the principal outstanding against each such individual loan. However, the sum total of the settlement amount so arrived in each case shall be compared with the sum total of principal outstanding as on date of application (DOA) of all individual loan so as to arrive at a single final settlement amount.
- ix) Expenses on loan account as on the date of application for OTS and further Misc. Exp. to be charged till the date of final payment of settlement amount shall be payable over and above the settlement amount.

X) SWITCHOVER CASES.

a) While computing the settlement amount in cases of switchover from previous OTS Schemes, the settlement order issued earlier shall be cancelled, if not cancelled earlier.

b) In such cases, payment made by the assisted unit(s) (including the initial deposit) against the previous OTS Schemes, shall not be considered as normal repayment towards loan dues while computing the settlement amount under the current Scheme. Such payment made under the previous OTS scheme shall be treated as payment made over and above the current initial deposit and adjusted towards repayment amount required towards the settlement amount under the current scheme, in other words, any earlier repayments made under the earlier OTS schemes shall notionally form a part of the repayment together with the initial deposit so paid under the scheme without passing any reverse entry in the books of accounts.

xi) In cases where interest has been converted to Equity / Pref. Shares (under any rehabilitation package considered and approved earlier) such converted interest amount shall be notionally treated as loan principal and added to the outstanding loan amount to derive the final OTS amount payable by the borrower(s).

7. PAYMENT OF SETTLEMENT AMOUNT UNDER MDF-OTS-07:

A. *NEW CASES:*

The assisted unit(s) are required to pay the settlement amount in the following manner:

i) **25%** of the *aggregate settlement amount* minus the initial deposit is to be paid within **2 (two) months** from the date of issue of the settlement order failing which, the settlement order shall stand withdrawn.

ii) Balance **75%** of the *aggregate settlement amount* is to be paid in **7 equated monthly installments**. Failure to pay any installment will attract interest @ **13.5% p.a** on the unpaid amount for the period of default. Delayed period interest shall be payable simultaneously with the defaulted installments. On failure to pay three consecutive equated monthly installments, the settlement order shall stand automatically cancelled.

iii) Revocation of cancellation order may be considered **within 9 months** of the issue of settlement order, if balance unpaid settlement amount is paid along with interest at the rate of **15.50% p.a** for the period of delay on unpaid settlement

amount. Similar provision shall also apply for any default in payment of 25% up-front payment which is to be paid within 2 months from the date of communication of settlement order.

iv) The settlement order shall become automatically invalid after lapse of **9 months** from the date of communication of the settlement order, if total payment along with delayed period interest and other expenses & also other loans are not paid within prescribed period of 9 months.

B. PAYMENT OF THE SETTLEMENT AMOUNT BY SWITCHOVER CASES:

i) The payment received from switchover cases towards previous OTS Schemes shall be deducted from the current scheme settlement amount and shall be the "**balance due**". 25% of the "**balance due**" minus the current initial deposit shall be paid within 2 (two) months from the date of issue of the settlement order, failing which the settlement order shall stand withdrawn.

ii) The remaining 75% of the "**balance due**" is to be paid in **7 equated monthly installments**. Failure to pay any installment will attract interest @ **13.5% p.a** on the unpaid amount for the period of default. Delayed period interest shall be payable simultaneously with the defaulted installments. On failure to pay three consecutive equated monthly installments, the settlement order shall stand automatically cancelled.

iii) Revocation of cancellation order may be considered **within 9 months** of the issue of settlement order, if balance unpaid settlement amount is paid along with interest at the rate of **15.50% p.a** for the period of delay on unpaid settlement amount. Similar provision shall also apply for any default in payment of 25% up-front payment which is to be paid within 2 months from the date of communication of settlement order.

iv) The settlement order shall become automatically invalid after lapse of **9 months** from the date of communication of the settlement order, if total payment along with delayed period interest and other expenses & also other loans are not paid within prescribed period of 9 months.

C. REBATE FOR PROMPT PAYMENT

i) Rebate of **3%** on the "**balance due**" shall be allowed provided the entire "**balance due**" within 1 (one) month from the date of issue of settlement order.

ii) Rebate of **1%** on the "**balance due**" shall be allowed provided the entire "**balance due**" within 2 (two) months from the date of issue of settlement order.

iii) However, such rebates for prompt payment shall not result in any further sacrifice of either principal outstanding and / or misc. expenses charged to the assisted unit(s).

iv) No rebate would be admissible for switch over cases.

8. PAYMENT OF OTHER LOANS:

Loans not eligible for settlement like Seed Capital loan / IDBI Seed capital etc. under the current scheme are required to be paid normally over and above the settlement amount of eligible loans and over and above the OTS amount so derived.

9. RESIDUAL CLAUSE:

In case of non-payment, IPICOL shall have the right of requital. In such even the sacrifice / concessions under the scheme shall be withdrawn, any amount realized under the OTS scheme shall be credited to original loan account and original loan agreement shall come into force. IPICOL shall take necessary steps to initiate legal actions for recovery. It is further clarified that the decisions taken by IPICOL on the matters relating to implementation of the OTS scheme based on circumstances and merit of the case is final and binding. It is further clarified that any borrower can not claim the benefits accruing from this scheme as a matter of right.

10. INTERPRETATION:

Doubts relating to interpretation of any term or clause or any ambiguity or confusion arising during interpretation or implementation of the scheme shall be referred to the Managing Director, who shall be the competent authority to issue necessary clarification and is authorized to take remedial measures for smooth operation and success of the scheme. Executive instructions necessary for implementation of the scheme shall be issued by the Managing Director.

