

## **Non-discretionary One Time Settlement Policy for Micro and Small Enterprises (MSE)**

### **1. Background:**

Bank has approved a non-discretionary OTS scheme for recovery of non-performing loans to MSE Sector and the scheme details are given below.

### **2. Scheme Coverage:**

- a) The scheme shall cover all Non-Performing Loans in MSE sector which had turned NPA.
- b) The scheme shall also cover eligible cases where Bank has initiated recovery action under SARFAESI Act, DRT, Section 138 and is awaiting adjudication/enforcement.
- c) In cases where suit is filed in the court, consent terms shall be filed before the concerned court and consent decree obtained for the OTS approved by the Bank.
- d) Cases of RFA/Fraud/Wilful Default/Non-Co-operative Borrower will not be eligible under this scheme.
- e) Below mentioned accounts (i to iii) are considered under respective laws and regulations. Therefore, Bank's decision will be subject to their legal framework. In view of this, Bank reserves its right to take decisions on One Time Settlement on case-to-case basis.
  - i. Central Government and State Government guaranteed accounts.
  - ii. NPA accounts where a Court has decreed the case in Bank's favour.
  - iii. Cases admitted in NCLT under Insolvency and Bankruptcy Code, 2016.
- f) All cases that are not covered under this policy shall be considered on case-to-case basis and would be processed by the competent authority.
- g) The proposed scheme shall be valid unless changed by approval of Board and/ or as per directions of RBI.
- h) Terms and conditions of the scheme are subject to legal and regulatory guidelines in this regard, applicable from time to time.

### **3. Settlement Formula:**

<b>Pre NPA Ageing - from sanction to NPA</b>	<b>Post NPA ageing – from NPA to Settlement</b>			
	<b>&lt; 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>&gt; 5 Years</b>
<b>&lt; 1 Year</b>	Principal + Contractual Interest	Principal + Contractual Interest + 25% of Penal charges	Principal + Contractual Interest + 50% of Penal charges	Principal + Contractual Interest + 75% of Penal charges
<b>1-3 Years</b>	Principal + Simple Interest at Contractual rate	Principal + Contractual Interest	Principal + Contractual Interest + 25% of Penal charges	Principal + Contractual Interest + 50% of Penal charges
<b>3-5 Years</b>	Principal + 75% Simple Interest at Contractual rate	Principal + Simple Interest at Contractual rate	Principal + Contractual Interest	Principal + Contractual Interest + 25% of Penal charges
<b>&gt; 5 Years</b>	Principal + 50% Simple Interest at Contractual rate	Principal + 75% Simple Interest at Contractual rate	Principal + Simple Interest at Contractual rate	Principal + Contractual Interest

#### **4. Payment Terms:**

- a) The amount of settlement arrived to be payable in one lump sum.
- b) In case, lump sum payment cannot be made by the borrower, then a minimum of 25% of the OTS amount shall be payable upfront and the balance OTS amount will be payable in 60 days from sanction letter along with simple interest at contractual rate.
- c) OTS amount shall be paid by the borrower as per terms of sanction letter. Any default in payment of compromise amount (instalment based) and/or delay in case of lump-sum payment will render the OTS cancelled, and the amount paid, if any, shall be adjusted against the total outstanding dues and the borrower shall be liable to pay the balance outstanding dues as per original terms of repayment.

#### **5. Operational aspects:**

- a) On payment of compromise amount as per OTS approved, the borrower/guarantor shall be discharged of all their liabilities; original title deeds of the property mortgaged, if any, shall be returned to the owner of the property (subject to dedupe checks against other liabilities of the borrower and/or guarantor) and "No Due Certificate" shall be issued to the borrower.

#### **6. Contact Point: [customerhelp@hdfcbank.com](mailto:customerhelp@hdfcbank.com)**