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HIMACHAL PRADESH FINANCIAL CORPORATION,
NEW HIMRUS BUILDING, CIRCULAR ROAD,
SHIMLA-171001

Ref. No. HPFC/OTS/ 5526-5532

Dated 15 SEP 2016

OFFICE ORDER

The Board of Directors of the Corporation in its meeting held on 08.09.2016 has approved the revised One Time Settlement Guidelines for NPAs-2016 and made them operational upto 31.12.2017. Authenticated copy of revised OTS Guidelines is enclosed herewith at Annexure A-1 and Annexure A-2.

All the officers/ officials of the Corporation are directed to process the OTS cases strictly in accordance with revised OTS guidelines.

Encls: As above

[Signature]
Managing Director

Copy to:

1. General Manager, HPFC Head Office, Shimla.
2. Dy. General Manager, HPFC Head Office, Shimla.
3. Manager (Audit), HPFC Head Office, Shimla.
4. Dy. Manager (Legal), HPFC Head Office, Shimla.
5. Dy. Manager (U-1), HPFC Head Office, Shimla.
6. Dy. Manager (U-2), HPFC Head Office, Shimla.
7. Law Officer, HPFC Head Office, Shimla.

[Signature]
Managing Director *[Signature]*

HIMACHAL PRADESH FINANCIAL CORPORATION, SHIMLA

REVISED ONE TIME SETTLEMENT GUIDELINES FOR NPAS-2016**1. Eligibility/Coverage:**

- I. The OTS guidelines will cover all NPAs which have become doubtful or loss as on March 31, 2015 and retained the same status later on
- II. The OTS guidelines will also cover all NPAs classified as sub-standard as on 31.03.2015 but became doubtful or loss subsequently.
- III. The OTS guidelines will also cover all NPAs classified as doubtful as on 31.03.2015 but became loss subsequently.
- IV. No case categorized as standard as on 31.03.2015 will be covered for settlement under these OTS guidelines.
- V. The proposed OTS guidelines is applicable for all eligible cases including court cases. The OTS in all court cases will be finalized after fulfilling the legal requirements.
- VI. No loan case categorized as Standard or Sub standard as on date would be considered for settlement under this OTS Scheme.
- VII. The OTS guidelines will not cover cases of willful default, fraud and malfeasance identified as per the guidelines of RBI.
- VIII. The loans /accounts which are already closed after recovering the loans under old OTS guidelines shall not be eligible for reconsideration/additional concessions under these OTS guidelines.
- IX. The already approved OTS cases are eligible under these guidelines. Amount paid under old OTS guidelines will be counted as normal recovery.
- X. The write off in respect of principal loan amount under the OTS Guidelines will be with the prior approval of Board of Directors only.

II. Settlement Formula-OTS Amount

- A. NPAs classified as Doubtful as on 31.03.2015 and remained in doubtful category only.**

1. Doubtful loan Account-Category-A

The loan account was categorized as doubtful as on 31.03.2015 and remained doubtful for less than five years

The minimum OTS amount recoverable shall be principal outstanding + 100% simple interest + 50% of compound interest element over & above simple interest (at effective documented rate of interest). The OTS amount recoverable shall in no circumstances be less than 90% of realizable value of primary and collateral security available with the Corporation

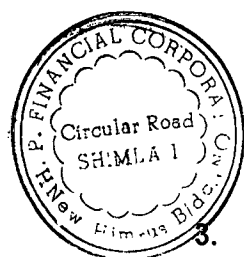
2. Doubtful loan account-Category-B

The loan account was categorized as doubtful as on 31.03.2015 and remained doubtful for more than five years and less than 10 years.

The minimum OTS amount recoverable shall be principal outstanding +100% of simple interest (at effective documented rate of interest). The OTS amount recoverable shall in no circumstances be less than 90 % of realizable value of primary and collateral security available with the Corporation.

Doubtful loan account- Category-C

The loan account was categorized as doubtful as on 31.03.2015 and remained doubtful for more than 10 years.



The minimum OTS amount recoverable shall be principal outstanding +50% of simple interest (at effective documented rate of interest). The OTS amount recoverable shall in no circumstances be less than 90 % of realizable value of primary and collateral security available with the Corporation.

B. NPAs classified as Loss at the time of OTS.

1. Loss loan account-A

The loan account was categorized as loss account as on 31.03.2015 or subsequently and where the primary and collateral securities have already been sold off by the Corporation. Verification of personal assets of the borrowers / guarantors be conducted where the principal outstanding is more than Rs. 10.00 lakhs

If after verification of assets, it is found that the borrowers. Guarantors do not own any assets, then the case for OTS is to be considered under Loss Account-B category.

The minimum OTS amount recoverable shall be principal outstanding + misc. expenses.

2. Loss Loan Account-B

The loan account was categorized as loss account as on 31.03.2015 or subsequently and where the primary and collateral securities have already been sold off by the Corporation and the relevant authorities has declared the means of the borrowers as irrecoverable / verified that borrowers/ guarantors do not own any assets

The minimum OTS amount recoverable shall be as per repaying capacity of the borrower assessed by the relevant authority.

C. NPAs classified as Sub-Standard as on 31.03.2015 and become Doubtful Subsequently.

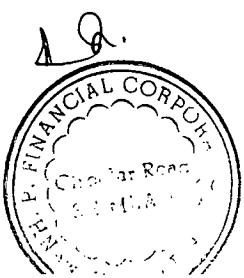
Sub Standard Loan Account.

The loan account was categorized as sub standard as on 31.03.2015 but became doubtful subsequently

The minimum OTS amount recoverable shall be principal + misc +100% simple interest + 100% compound interest element over & above simple interest (at effective documented rate of interest). The waiver shall not exceed 25 % of the total outstanding loan. The entire OTS amount shall have to be paid within three months.

III. Calculation of OTS amount.

- I. For calculating minimum OTS recoverable amount, relief waiver shall be worked out from the date of last default persisting (i.e. the date from which default is continuing) by recasting the amount as per documented rate of interest.
- II. Calculation of minimum OTS recoverable amount payable by the borrowers under the OTS guidelines be done by adjusting / appropriating the amount received from the borrowers from time to time and amount of sale proceeds of unit and collateral/ additional security/ adjustment of FDR/ NSCs, first towards misc. expenses, then interest and thereafter principal amount.
- III. Where the borrower has availed more than one loan from time to time, accounts/ loans which have already been fully repaid and closed shall not be taken into account for calculating the minimum OTS amount recoverable / payable under these OTS guidelines and only the accounts/ loans which are in currency should be considered.
- IV. Interest on penal / additional interest and rebate forfeited shall not be recoverable under these OTS guidelines.



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IV. Payment of OTS Amount.

- I. The one time settlement (OTS) amount arrives at , shall preferable be paid in one lump sum i.e. within three months of date of approval of OTS by the concerned competent authority No, interest is chargeable on OTS amount.
- II. Where borrowers are unable to pay the entire OTS amount in lump sum maximum permissible repayment period of OTS amount will be of one year, 25 % of the approved OTS amount shall be payable upfront (including upfront advance of 10% paid along with application) i.e. within one month of issuance of approval letter and the balance amount of 75% in equal quarterly installments in one year (including one month for payment of upfront amount) together with current lending rate of interest of the Corporation on simple basis p.a. from the date of decision of OTS by the concerned competent authority. Interest would be calculated on daily product basis and debited on quarterly basis on 10th of respective month for the purpose of working out recoverable / payable amount under OTS
- III. Power to grant extension or condonation of delay in period of repayment of OTS amount up to one year (in addition to period available under approved OTS) shall rest with the Managing Director provided the interest as per guidelines for the delayed period is paid on the OTS amount. Power to approve condonation of delay beyond one year and upto 2 year period rests with the Board of Directors of the Corporation. The old cases approved under earlier OTS guidelines, will have to be settled upto 31.03.2017.

V. Processing of OTS proposal:-

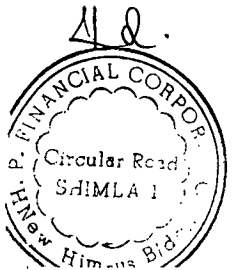
- I. Borrowers interested to avail the benefit under the scheme may apply to the Head Office of the Corporation alongwith upfront advance of 10% of the OTS offer. The above upfront advance of 10% is adjusted in the loan account of the party as legally recoverable amount in case the settlement is not arrived at. In case OTS offer is given by the third party as OTS -cum-Purchase offer, the upfront advance will be refundable.
- II. OTS case is to be processed only after the receipt of upfront advance as per Clause V (i).
- III. All OTS proposals would be processed within two months from its receipts of complete information.
- IV. The assessment/valuation of primary and collateral security shall not be more than One year old on the date of consideration of settlement proposal.

VI. Sanctioning Authority.

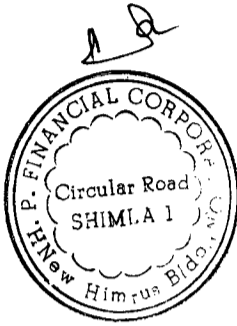
- I. The Board of Directors of the Corporation will be the sanctioning authority in respect of all loan cases.

VII. Other Conditions/Stipulations.

- a. In no case OTS amount approved shall be less than Principal and Misc. expenses amount outstanding as per books of account on the date of settlement except loan loss account B.
- b. The benefits under these OTS guidelines will be passed on only after the receipt of full amount as per settlement.
- c. Misc. dues present and future shall also be payable by the borrowers in addition to approved OTS amount. A standard condition on this account shall be incorporated in the approval letter.
- d. In case the borrower does not pay the OTS amount in accordance with the approved proposal, the entire concessions and relief shall stand automatically forfeited and entire amount as per books of accounts of the corporation shall be recoverable. A standard condition on this account shall be incorporated in the approval letter.
- e. OTS is subject to the overall assessment of the security available, likely recovery under recovery action already initiated and risk perception in the interest of the Corporation.
- f. Proposal of OTS under OTS guidelines can also be submitted by the guarantor(s) or collateral security owner(s) or LRs of the borrowers/ guarantors besides the borrower(s), as per legally applicable norms.



- g. Any deviation from the above settlement guidelines for any borrower shall be made only by the Board of Directors keeping in view the circumstances of the case and business interest of the Corporation.
- h. Doubts relating to interpretation of any term or clause or any ambiguity or confusion arising during interpretation or implementation of these guidelines 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 guidelines. The above action of the Managing Director shall subsequently be placed before the Board for ratification.



OTS GUIDELINES FOR SETTLING OLD AND SMALL LOAN CASES

The Board of Directors of the HP Financial Corporation has approved the following OTS Guidelines for setting small industrial loan cases involving principal loan amount of upto Rs.10.00 lakhs and for transport cases involving principal loan amount of upto Rs 5.00 lakhs remaining outstanding at the time of considering OTS:

Category-I) One Time Settlement in respect of industrial loan accounts in which principal outstanding is up to Rs.10.00 lakhs, which were categorized as doubtful as on 31.03.2015 and which continue to be in doubtful category at the time of considering OTS, where primary security could not be auctioned even after making three attempts and collateral security is not available.

The minimum OTS amount recoverable shall be principal outstanding + miscellaneous or 50% amount of realizable value of primary security, whichever is higher. Verification of personal assets of borrowers/guarantors is not to be conducted for such OTS.

Category-II) One Time Settlement in respect of industrial loan accounts in which principal outstanding is up to Rs.10.00 lakhs, which were categorized as doubtful as on 31.03.2015 and which continue to be in doubtful category at the time of considering OTS, where primary security could not be auctioned even after making three attempts and collateral security is available.

The minimum OTS amount recoverable shall be principal outstanding + miscellaneous or 75% amount of realizable value of primary security and collateral security, whichever is higher. Verification of personal assets of borrowers/guarantors is not to be conducted for such OTS.

Category-III) One Time Settlement in respect of industrial loan accounts in which principal outstanding is up to Rs.10.00 lakhs, which were categorized as loss accounts at the time of considering OTS, where primary security has been sold and collateral security does not exist.

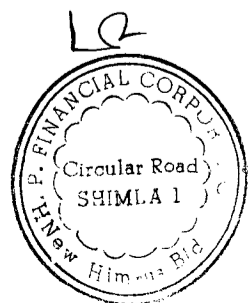
The minimum OTS amount recoverable shall be principal outstanding + miscellaneous. Verification of personal assets of borrowers/guarantors is not to be conducted for such OTS.

Category-IV) One Time Settlement in respect of transport loan accounts in which principal outstanding is up to Rs.5.00 lakhs, and which were categorized as doubtful as on 31.03.2015 and which continue to be in doubtful category at the time of considering OTS, and where vehicle is more than 15 years old and collateral security is available.

The minimum OTS amount recoverable shall be Principal outstanding + miscellaneous or 50% of book value of vehicle and 50% realizable value of collateral security taken together, whichever is higher. Depreciation of vehicle will be calculated @15% to arrive at the book value of vehicle. Verification of personal assets of borrowers/ guarantors is not be conducted for such OTS.

Category-V) One Time Settlement in respect of transport loan accounts in which principal outstanding is up to Rs.5.00 lakhs, which were categorized as doubtful accounts as on 31.03.2015 and which continue to be in doubtful category at the time of considering OTS, and where vehicle has been sold or is not available and where collateral security is available.

The minimum OTS amount recoverable shall be principal outstanding + miscellaneous or 50% realizable value of collateral security, whichever is higher.

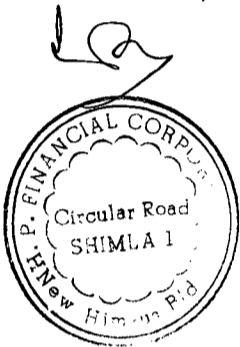


Verification of personal assets of borrowers/guarantors is not to be conducted for such OTS.

Category-VI) One Time Settlement in respect of transport loan accounts in which principal outstanding is up to Rs.5.00 lakhs, which were categorized as loss accounts at the time of considering OTS, and where both vehicle as well as collateral security have been sold or are not available.

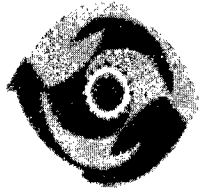
The minimum OTS amount recoverable shall be Principal outstanding + miscellaneous expenses. Verification of personal assets of borrowers/guarantors is not to be conducted for such OTS.

- Note:
- 1) For all OTS, the loanee(s)/ guarantor(s) will have to declare their assets and liabilities in the form of Affidavit on the prescribed format as annexed at Annexure-A.
 - 2) OTS in respect of small industrial loan cases and transport loan cases which are not covered under these guidelines would continue to be governed under the existing OTS Guidelines.
 - 3) Other terms and conditions of OTS would be as per existing OTS Guidelines.



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HIMACHAL PRADESH FINANCIAL CORPORATION,
NEW HIMRUS BUILDING, CIRCULAR ROAD,
SHIMLA-171001

Ref No. HPFC/OTS/697-702

Dated: 26 MAY 2017

Office Order

The Board of Director of the Corporation in its meeting held on 01.05.2017 has approved the addition/amendment in revised OTS Guidelines for NPAs-2016 in Annexure A-1 by adding in clause II Settlement Formula – OTS amount, additional Sub clause – D: NPAs which fall within the legally defined category of the impossibility of contracts. The loan accounts which are categorized as legally defined category of impossibility of contract which were legal and possible when these had been entered into but which became illegal and hence impossible from execution point of view after some State interventions viz. judicial pronouncements (stone crushers), enactments banning the plastic (State intervention) or failure of the technology. The established failure date as given by the respective department would be taken as the cutoff date for recovering the principle amount and the interest due till that date into and impossibility or frustration of contract is established to the satisfaction of the competent authority. “The minimum OTS amount recoverable shall be principle amount + 100% of simple interest (at effective document rate of interest) till the date of impossibility or frustration having been established. The OTS amount recoverable shall in no circumstances be less than 90% of realizable value of primary and collateral security available with the Corporation.”

The settlement formula for cases covered under Annexure-A-II OTS guidelines for settling old and small loan cases i.e. small industrial loan involving principle loan amount upto 10.00 lakh will remain the same. Other terms & conditions of revised one time settlement guidelines of NFAs-2016 will remain the same.

All the officers/officials of the Corporation are directed to process the OTS cases in accordance with addition/amendment in revised OTS Guidelines for NPAs-2016 as per above.


Managing Director 

Copy to :

1. Chief General Manager HPFC, Shimla.
2. General Manager HPFC, Shimla.
3. Manager (Unit-1) HPFC, Shimla.
4. Manager (Unit-1I) HPFC, Shimla.
5. Law officer HPFC, Shimla.
6. Nodel officer HPFC website.