

ONE TIME SETTLEMENT (OTS) POLICY ON NPA ACCOUNTS OF THE PARWANOO

URBAN CO-OPERATIVE BANK FOR THE FY 2024-25

Placed below is a copy of revised OTS policy of the Bank, duly approved by the Board and RCS, Shimla, wherein there was a provision for One Time Settlement and upgradation of NPA accounts. The said policy was valid till 31.03.2024 and as on date no OTS policy of the Bank is in vogue.

During the TAFCUB meeting held at RBI, Shimla on 28th December, 2024 which was attended by the Bank, RBI, officials, Regional Director, RBI and Chairman of TAFCUB and representative of RCS, it was decided that after expiry of the above OTS policy on 31.03.2024, the Bank while preparing fresh OTS policy for the FY 2024-25 shall cover only those borrowers who come forward for full settlement of their NPA accounts. The proposals for upgradations in NPA accounts, if any, shall be dealt by the Bank separately depending upon the sacrifice amount involved and Bank's financial capacity to absorb the same, subject to giving same treatment /uniform concession to all such borrowers and treating such accounts under 'Restructured' category as per IRAC norms.

Accordingly, we enclose OTS policy of the Bank for the FY 2024-25 for early settlement of NPA accounts as well as Technical write offs, prepared strictly in compliance to RBI circular no. RBI/2023-24/40 dated June 08, 2023.



OTS POLICY AND TECHNICAL WRITE-OFFS of Parwanoo Urban Co-operative Bank

For The Financial Year 2024-25 (Effective from 01.07.2024 to 31.03.2025):

Salient Features:

1. This **OTS policy** of the Bank has been prepared and put up to the Board for undertaking compromise settlements with the NPA borrowers, as well as, for Technical write offs, in conformity to RBI guidelines. The compromise settlement for the purpose shall, henceforth, refer to any negotiated settlement with the borrower to fully settle the claims of the Bank against the borrower in cash which may entail some sacrifice of the amount due from the borrower on the part of the Bank with corresponding waiver of claims against the borrower to that extent depending upon the realizable value of collaterals, minimum ageing, graded framework of staff accountability etc.

Technical write offs for the purpose shall refer to cases where the non-performing assets remain outstanding at borrowers loan account level where 100% provision has already been made and statutory auditor has declared assets as '**Loss Assets**' such accounts are written off by the Bank only for accounting purposes, without involving any waiver of claims against the borrower and without prejudice to the recovery of the same.

2. The OTS policy of the Bank shall be

(a) '**Non-Discretionary and Non Discriminatory**' in nature (**fully transparent**) and shall be applicable to all NPAs as on 31.03.2024 which were sanctioned on or before 31.03.2023;

(b) The scheme shall be effective from **01.07.2024 to 31.03.2025;**



(d) The main objective of the OTS policy to expedite the recovery process in NPA accounts to improve Bank's profitability and other financials to come out of RBI SAF restrictions, at the earliest;

(c) There shall be a reporting mechanism to the Board at least on quarterly basis with respect of compromise settlements and technical write offs through Audit Committee of the Board (ACB);

The scheme and its applicability shall be restricted to only those NPA borrowers who want to fully settle their NPA accounts within the stipulated period by offering them some concessions uniformly as per their eligibility as under:

- (a) Waiver of Notional interest from the date of NPA in eligible accounts;
- (b) Waiver of legal and other out of pocket expenses;
- (c) Haircut will be given as under:

A) Unsecured NPAs

(i) Unsecured loans upto Rs. 5 lakh (not backed by any collateral since sanction)	Waiver of 100% of OIR	Write off 12.50% of Principal amount
(ii) Where securities already sold out under Sarfaesi by the Bank and no security available now	Waiver of 80% of OIR	Write off 12.50% of Principal amount



B) Secured NPAs:

Where value of collateral is higher than the outstanding dues (i.e. loan amount plus overdue interest receivable):

Waiver of 20% of OIR outstanding amount as on 30.06.2024. After that, usual applicable interest shall be charged, subject to the account to be liquidated within 3 months time i.e. by 31.10.2024.

If liquidated after 3 months, the account shall continue to remain in sub-standard category as per RBI, IRAC Norms. However, the account must be fully adjusted on or before 31.03.2025.

C) Where value of collateral is less than or equal to ($\pm 10\%$) of the outstanding dues (i.e. loan amount plus overdue interest receivable):

Waiver of 25% of OIR outstanding amount as on 30.06.2024. After that, usual applicable interest shall be charged, subject to the account to be liquidated within 3 months time i.e. by 31.10.2024;

If liquidated after 3 months, the account shall continue to remain in sub-standard category as per RBI, IRAC Norms. However, the account must be fully adjusted on or before 31.03.2025.

D) Where value of collateral security is less than 10% or more of the outstanding amount (i.e. loan amount plus overdue interest receivable):

Waiver of 33% of OIR outstanding amount as on 30.06.2024. After that, usual applicable interest shall be charged, subject to the account to be liquidated within 3 months time i.e. by 31.10.2024.



If liquidated after 3 months, the account shall continue to remain in sub-standard category as per RBI, IRAC Norms. However, the account must be fully adjusted on or before 31.03.2025.

It is reiterated that in compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring as defined in terms of RBI guidelines dated June 07, 2019 on

'Prudential Framework on Resolution of Stressed Assets'.

Technical Write Offs

In the loan and advances where all efforts to recover the Bank dues have been exhausted and further chances of recovery are very bleak, property mortgaged to the bank has already been sold, no further collateral security is available or 100% provision already made and Statutory Auditors have declared the accounts as **'Loss Assets'**. Though provision have been made from Bank's profit, still these NPA accounts are adversely affecting Bank's Balance Sheet, therefore, there is need of the hour to address, on top most priority to clean the balance sheet affected by these impaired assets. In such cases, the Bank may go for Technical write-offs as envisaged by RBI in their circular guidelines dated June 8, 2023.

On the recommendations of Branch Heads, the Audit committee after going through genuineness and merits shall put up the proposal to BOM. BOM after going through the proposal, render expert advice to BOD for Write off these loan cases and transfer the amount to 'Advances Under Collection Account' (AUCA) without prejudice to recovery process in any manner, the Branch Heads shall undertake that all recovery efforts to recover the loan amount including filing of



cases with the ARCS Solan, under Arbitration or otherwise shall continue and there shall not be any leniency in the recovery process.

Every penny recovered afterwards in these AUCA accounts, shall reduce the Contingent Balance outstanding in the AUCA balance and the amount shall be credited to Charges Account- Recovery in AUCA Accounts to normalise the Bank's profits.

Other Terms and Conditions

- Only those borrowers shall be eligible under the scheme who deposit 25% of the OTS amount on or before 30th September, 2024 after that full amount by 31.03.2025;
- Staff accountability to be examined in each case within 30 days from the date of settlement (to be reviewed to Audit Committee / Board within 3 months from the closure of accounts under OTS);
- Policy to be displayed on the Notice Board of all the branches and website of the Bank;
- Technical write off accounts under AUCA to be reviewed to the BOD in every monthly meeting through the Audit Committee of the Board;
- Wherever the Branch Head differs with the present value of the property, should obtain fresh valuation from some other bank's approved valuer.

It is pertinent to mention that the Bank has been able to settle / upgrade NPAs aggregating to Rs 20 Crore (Approx.) under its earlier OTS policy during the FY 2023-24 (already expired on 31.03.2024).



As there has been substantial reduction in our Gross NPAs from 56 Crores (31.17%) as on 30.06.2023 to Rs 25.26 Crores (15.15%) as on 31.03.2024, therefore, the quantum of sacrifice (%) has been reduced by minimum 50% of the previous year in our OTS policy for the FY 2024-25.

All other NPAs, where the borrowers want to upgrade the accounts with some concessions given uniformly to all, shall henceforth remain out of the perview of the said OTS policy and shall be dealt separately and the quantum of sacrifice shall be decided depending upon Bank's ability to absorb the same.

If the scheme meets with the approval of the Board, the same shall be effective after necessary approval by the RCS, Shimla.


