

CIRCULAR No.945

Sub: Modified Chronic Asset Resolution Scheme.

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Considering the large number of cases in Doubtful-III category pending for resolution for a long time, a draft scheme for resolution of these cases was finalized and placed before the Board in its meeting held on 29.04.2011. The Board deliberated on the matter and observed that holding such large number of sticky cases is a matter of concern and observed that substantial moneys that are locked up in these units could be un-locked and made available for fresh business. The Board noted that EC in its meeting held on 07.04.2011 had deliberated the draft modified CAR scheme in detail and with certain modifications recommended for adoption of Modified Chronic Asset Resolution (MCAR) Scheme. The Board also took note of the guidelines of earlier CAR scheme vis-a-vis the proposed MCAR Scheme. The Board agreed for the adoption of the MCAR Scheme. However, the Board desired that the approval of the State Government be taken for implementation of the scheme. Accordingly, the scheme was referred to the State Government for approval.

The Finance Department vide letter No.FD 44 BFC 2011 dated 26.11.2011 has conveyed the concurrence of the State Government for the MCAR Scheme. The scheme approved by the State Government are given at Anneuxre-I. A copy of the format for submitting the MCAR proposal is given at Annexure-II.

While deliberating on the subject, the Board also made an observation that in respect of high-value properties (say around `5.00 crore and above) apart from internal valuation, the valuation may be got done by TECSOK on selective basis.

The BMs, DGMs and GMs are instructed to identify all the eligible cases, contact the borrowers and ensure that all the eligible cases are resolved to achieve the corporate goal of reducing NPA and unlock the amounts involves in such cases.

For proper control and information purposes, the IT Department is instructed to develop a separate menu for data entry in respect of all these cases. The BMs and the DGMs heading the recovery departments at HO are instructed to ensure that the information in respect of cases approved under the scheme are properly fed to the system for facilitating the reports.

The contents of this circular shall be brought to the notice of all the concerned in your office / department and ensure that maximum eligible cases are resolved before 31st March 2012.

Sd/-
MANAGING DIRECTOR

Encl: As above.
To:

All BMs
All ZMs / DGM of Super'A' Branch / IA Cells
All Principal Officers / Section Heads in HO
All General Managers
Library

Executive Directors – for information.

ANNEXURE-I

KARNATAKA STATE FINANCIAL CORPORATION, HO, BANGALORE

MODIFIED CHRONIC ASSET RESOLUTION (MCAR) SCHEME

1. ACCOUNTS ELIGIBLE FOR SETTLEMENT:

(a) The loan should have been sanctioned on or before 31.10.2003;

and

The account should be in Doubtful-III category as on 31.03.2011, provided the account was in Doubtful-III category for a period not less than two years preceding the cut-off date;

(b) All accounts under MR category.

2. INELIGIBLE CASES:

(i) All loans sanctioned for CRE sector are ineligible for resolution under this scheme;

(ii) Cases of willful default, fraud and malfeasance.

3. RESOLUTION FORMULA:

	<i>Category</i>	<i>Minimum Resolution Amount</i>
A	Where the value of secured assets + 50% of net value of PP assets is more than double the amount payable on SI basis	Disbursed amount + other debits + two times the SI demanded less repayments, without any write-off.
B	Where the value of secured assets + 50% of net value of PP assets is more than the amount payable on SI basis	Disbursed amount + other debits + SI demanded less repayments, without any write-off.
C	Where the value of secured assets + 50% of net value of PP assets is less than the amount payable on SI basis	Value of secured assets + 50% of net value of PP assets OR 50% of Principal + Other Debits whichever is higher.
D	The secured assets are sold / realized and net value of PP assets is -nil- or negligible.	50% of Principal + Other Debits

Note:

- (i) The resolution amount proposed to be collected as indicated above is the minimum amount;
- (ii) Detailed PP reports as per the prescribed formats in vogue should be certified by the HODs in the Head Office and Branch Managers in case of BOs. PP reports should be further certified by DGMs and ZMs in respect of BOs and by the concerned GMs in case of HO and Bangalore based BOs respectively;
- (iii) For determining the resolution amount in respect of cases where the disbursed loan amount is less than or equal to `10.00 lakhs, the value of PP assets may not be taken note of in case the Government of Karnataka extends the validity of Special OTS Scheme.
- (iv) Net value of PP assets means, the value of the personal property as per the valuation guidelines less the liability of other financial institutions / banks and statutory liabilities like Sales Tax, Income Tax, PF arrears etc., provided the property in question is attached by respective authorities.

4. DELEGATION OF AUTHORITY TO APPROVE THE RESOLUTION:

A. Where no assets are available (i.e., no primary, collateral and PP assets):

<i>Particulars</i>	<i>Approving Authority</i>
Resolution proposal without write-off i.e., P+OD and above irrespective of waiver amount	Next higher loan sanctioning authority*.
Resolution proposal involving write-off	Board, based on the recommendations of Executive Committee

B. Cases where primary, collateral and PP assets are available:

<i>Particulars</i>	<i>Approving Authority</i>
Upto resolution amount of `50.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is DGM/ZM and below irrespective of waiver amount.	General Managers*
Upto resolution amount of `75.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is GM and below irrespective of waiver amount.	Executive Directors*
Upto resolution amount of `100.00 lakhs without write-off and if the loan sanctioned by the loan sanctioning authority is ED and below irrespective of waiver amount.	Managing Director
Resolution amount above `100.00 lakhs without write-off irrespective of waiver amount.	Executive Committee
Resolution proposal involving write-off.	Board, based on the recommendations of Executive Committee

*If the loan was sanctioned earlier by a delegated authority, the approving authority for resolution in such cases will be the next higher loan sanctioning authority. For example, if the loan was earlier sanctioned by 'Mr.A' in his capacity as a Branch Manager, the resolution package pertaining to this loan can not be approved by 'Mr.A' in his capacity as a Zonal Manager / DGM and like-wise. In such cases the approving authority will be the next higher level authority of ZM / DGM.

5. GENERAL GUIDELINES:

- (i) Reliefs under this scheme cannot be claimed as a matter of right. The Corporation reserves the right to accept or reject the proposal for resolution under the scheme at its discretion;
- (ii) An upfront payment of 25% of PD+OD amount shall be collected before processing the proposal which shall be held in ARPA till final resolution of the account is decided upon. The said amount shall not be refunded. Further, in case the proposal is not backed either by secured assets or by PP assets, the designated authority to decide the down payment to be made.
- (iii) If the entire resolution amount under the scheme is not paid within the stipulated time, the initial amount will be adjusted to the loan account and further recovery action shall be initiated in the normal course by cancelling the resolution package under the scheme.
- (iv) There shall be no revision and no discretion provided under the scheme to collect the resolution amount less than what is prescribed by the resolution formula.
- (v) Accounts already settled under OTS schemes prevalent in the Corporation prior to 01.04.2009 and remain unsettled without OTS payment or part payment shall be placed before a Committee constituted for this purpose for a decision.
- (vi) The initial amount / part payment of OTS amount still kept in ARPA / suspense account shall be taken into consideration towards 25% of initial payment as required under the scheme.
- (vii) The resolution package as approved by the competent authority shall be placed before the next higher authority for information.
- (viii) Approved settlement amount has to be paid within 90 days from the date of communication without interest. 25% of the approved amount (including initial deposit) should be paid within 30 days. Another 25% should be paid by the end of 60 days from the date of communication and the balance 50% before the expiry of 90 days from the date of communication. The settlement package offered should lapse automatically at the end of the 90th day from the date of communication. The head of recovery departments in HO and Branch heads are responsible for communication of cancellation of the resolution immediately after the expiry of 90 days.
- (ix) The MCAR scheme is valid for a period of 1-year.

6. GUIDELINES FOR VALUATION OF PRIMARY / COLLATERAL / PERSONAL PROPERTIES :

Urban areas and semi-urban areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value or market value whichever is higher.
Rural areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value.

Note :

1. Definition of urban & semi-urban areas: All areas coming under BBMP, BMRDA, BIAPA, all city corporations, all district head quarters, all town municipal corporations and all areas coming under taluka head quarters. Further, areas falling within 25 Kms from the outer limits of Bruhat Bangalore Mahanagar Palike, 10 Kms from the outer limits of the other City Corporations and 5 Kms from the outer limits of City/Town Municipal Councils shall be treated as semi-urban areas.
2. Definition of rural areas: All areas excluding (1) above.

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ANNEXURE-II

KARNATAKA STATE FINANCIAL CORPORATION

ITEM NO.

PLACED BEFORE

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Sub : Settlement proposal under Modified CAR Scheme

in respect of M/s / Sri / Smt.

Name of the Branch Office / Dept

1	NAME OF THE UNIT / PARTY & ADDRESS				
2	ACCOUNT NUMBER				
3	CONSTITUTION PROPRIETARY /PARTNER-SHIP / COMPANY)				
4	NAME OF THE PROMOTER/S				
5	NAME OF THE GUARANTOR/S				
6	LOAN DETAILS (TO SHOW SSC PORTION SEPARATELY)*	Date of sanction	Amount sanctioned	Amount disbursed	ROI
7	SANCTIONING AUTHORITY NAME: DESIGNATION: (in respect of multiple loans the highest loan sanctioning authority of live account may be indicated. Name of the sanctioning authority in respect of cases sanctioned by MD / EC / Board need not be given)				
8	ACTIVITY / PRODUCT				
9	WHETHER THE PROPOSAL FALLS UNDER CRE SECTOR				

* Loan details shall include assistance like lease/NCD/HP/DPG/Factoring, equity participation if any.

10	CUMULATIVE DEMAND UPTO _____:	TERM LOAN		SSC	
		NORMAL	SI on contract rate	NORMAL	SI
	Principal Interest Other debits TOTAL:				
11	REPAYMENT RECEIVED SO FAR: Principal Interest Other debits TOTAL:				
	By direct payment By sale of assets By subsidy TOTAL:				
	IRR for the repayment recd. so far				
12	PRESENT DUES POSITION (as on) Principal Interest Other debits TOTAL:				
13	Asset category	As on 31.03.2011 : As on 31.03.2009 :			
14	Whether the unit is eligible to be covered under MCAR and not fall under ineligible clause				
15	DETAILS OF SECURITY AVAILABLE: a) Land b) Building c) Plant & machinery d) Collateral security e) Current assets	Memorandum value	Present		
			SR rate	Market value	

(valuation report enclosed)

16	Details of Corporate guarantee obtained for the loan if any :				
	a) Details of assets				
	b) Details of liabilities				
	c) Working results				
	d) Networth of the company				
17	Details of assets brought for sale		No. of Advt.	Highest offer received and date	
	a) Primary assets				
	- Land and building				
	- Plant and machinery				
	- Current assets				
	b) Collateral security				
18	DETAILS OF PERSONAL PROPERTY INVESTIGATION (in respect of both promoters / guarantors):				
a) Details of networth declared at the time of loan sanction :					
Sl.No	Immovable property details with location, measurement		Owned by	Value of the property	
b) Details of personal property identified :					
Description	Name of the owner	Value of the property		Percentage of share in case of joint /ancestral property	Whether attached for recovery of dues
		SR Value	Market rate		
					YES/NO
c) Liabilities if any on these properties					
d) Net value of personal properties:			PP value	Concession as per policy	Net of concessions
Based on SR value					
Based on market rate					
e) Present status of PG petition filed if any					

19	WHETHER AFFIDAVIT FROM PROMOTERS / GUARANTORS ARE OBTAINED	
20	LITIGATION / COURT STAY / INJUNCTION / PENDING BEFORE BIFR/AIFR AND OTHER FORUM IF ANY	
21	WORKING STATUS OF THE UNIT	
22	DETAILS OF INITIAL AMOUNT PAID	Date : Amount :
23	STAFF ACCOUNTABILITY IF ANY	
24	VALUATION FOR DETERMINING SETTLEMENT Primary assets Collaterals Net value (50%) of PP assets Total	

25. (a) Financial analysis of the applicant unit (for working unit):

[Rs. in lakhs]

<i>Financial year</i>			
Turnover / gross receipts			
Depreciation			
Net profit / loss			
Cash profit / loss			
Capital + reserves / accumulated loss			

25. (b) Name of the associate concern (if any) :

(i) Nature of association :

(ii) Financial analysis of associate concern :

[Rs. in lakhs]

<i>Financial year</i>			
Turnover / gross receipts			
Depreciation			
Net profit / loss			
Cash profit / loss			
Capital + reserves / accumulated loss			

26. DETAILS OF LOAN / ASSISTANCE AVAILED BY OTHER INSTITUTIONS LIKE KSIIDC, BANK ETC.:

a)	Name of the institution / bank	
b)	Name of the lead institution in case of joint finance	
c)	Amount sanctioned	
d)	Present liability	
e)	Details of recovery initiated	

a)	Name of the institution / bank	
f)	OTS offered by them if any	

27. SETTLEMENT OPTIONS :

<i>Options</i>	<i>OTS amount payable</i>	<i>Write-off</i>	<i>Waiver</i>
Normal			
Disbursed amount + other debits + two times the SI demanded less repayments, without any write-off			
Disbursed amount + other debits + SI demanded less repayments, without any write-off			
Value of secured assets + 50% of net value of PP assets OR 50% of principal + other debits whichever is higher			
50% of principal + other debits			

	<i>OTS amount payable</i>	<i>Write-off</i>	<i>Waiver</i>
OTS amount to be collected as per policy			
Party's request			

28. RECOMMENDATION :