



ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporations' Act, 1951



Ref. No. KSFC/HO/ED-1/2021-22/C-511 A

30/07/2021

**CIRCULAR No.1016**

Sub: MODIFIED CHRONIC ASSET RESOLUTION [MCAR] SCHEME (AMENDMENTS-2021)

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The Modified Chronic Assets Resolution (MCAR) Scheme has been implemented in the Corporation with the approval of the State Government & the (MCAR) Scheme amended vide Circular No.922 dated 14.01.2016 is in force. Considering the difficulties faced in resolution of these stressed assets; the Board decided to amend some of the provisions of the existing MCAR Scheme (2016). The Board in its meeting held on 20/03/2021 agreed for the recommendation of the subcommittee of the Board and decided to seek the consent of State Government. The State Government vide its letter ಆಇ 10 ಬಿಎಎಫ್ ಸಿ 2021 dated 20.07.2021 has approved the amendments proposed. A copy of the same is enclosed for reference. The Scheme comes into operation with immediate effect.

Further, the Board of Directors / Members of the Executive Committee have observed that there is no uniformity in the proposals received under the MCAR. Hence, revised formats are enclosed herein; henceforth, the proposals shall be in these approved formats. These proposals should be in A4 size paper with 12 size, Times New Roman font having single line spacing.

All the BMs and HOD of Recovery Department at HO are advised to follow the guidelines and ensure that maximum cases are settled under the scheme.

The contents of this circular shall be brought to the notice of all the concerned in your office / department.

Encl: As above.

To

All BMs / AGMs / DGMs of Branches  
All LA Cells, All Department Heads in HO,  
All General Managers, Library  
Cc: Executive Director – II for information  
PS to Managing Director – for information

  
EXECUTIVE DIRECTOR - I

30/07/21

Original

not to be removed from file

ಕರ್ನಾಟಕ ಸರ್ಕಾರ

ಸಂಖ್ಯೆ:ಆಇ 10 ಬಿಎಫ್ ಸಿ 2021

ಕರ್ನಾಟಕ ಸರ್ಕಾರದ ಸಚಿವಾಲಯ

ವಿಧಾನ ಸೌಧ

ಬೆಂಗಳೂರು, ದಿನಾಂಕ:20.07.2021.

ಇಂದ:

ಸರ್ಕಾರದ ಅಪರ ಮುಖ್ಯ ಕಾರ್ಯದರ್ಶಿ

ಆರ್ಥಿಕ ಇಲಾಖೆ

ವಿಧಾನ ಸೌಧ, ಬೆಂಗಳೂರು.

ಇವರಿಗೆ:

ವ್ಯವಸ್ಥಾಪಕ ನಿರ್ದೇಶಕರು

ಕರ್ನಾಟಕ ಹಣಕಾಸು ಸಂಸ್ಥೆ

ಕೆ.ಎಸ್.ಎಫ್.ಸಿ ಭವನ

ನಂ.1/1, ತಿಮ್ಮಯ್ಯ ರಸ್ತೆ,

ಬೆಂಗಳೂರು-560052.

ಮಾನ್ಯರೆ,

ವಿಷಯ:-ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಯಲ್ಲಿ(KSFC) ಚಾಲ್ತಿಯಲ್ಲಿರುವ ಪರಿಷ್ಕೃತ ಸುಸ್ತಿ ಆಸ್ತಿಗಳ ತೀರುವಳಿ ಯೋಜನೆ(MCAR)ಪುನಃ ಪರಿಷ್ಕರಿಸುವ ಬಗ್ಗೆ.

ಉಲ್ಲೇಖ:- ಸರ್ಕಾರದ ಪತ್ರ ಸಂ:ಆಇ 64 ಬಿಎಫ್ ಸಿ 2015, ದಿನಾಂಕ:12.01.2016.

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ಮೇಲ್ಕಂಡ ವಿಷಯಕ್ಕೆ ಸಂಬಂಧಿಸಿದಂತೆ ಉಲ್ಲೇಖಿತ ಸರ್ಕಾರದ ಪತ್ರದಲ್ಲಿ ಪರಿಷ್ಕೃತ ಸುಸ್ತಿ ಆಸ್ತಿಗಳ ತೀರುವಳಿ ಯೋಜನೆಗಳನ್ನು ಪರಿಷ್ಕರಿಸಲಾಗಿತ್ತು. ಪ್ರಸ್ತುತ ಪರಿಷ್ಕೃತ ದೀರ್ಘಕಾಲೀನ ತೀರುವಳಿ ಯೋಜನೆ-2016ಕ್ಕೆ ಮತ್ತಷ್ಟು ತಿದ್ದುಪಡಿ ಮಾಡಲು ಸರ್ಕಾರದ ಅನುಮೋದನೆ ಕೋರಿರುವ ಪ್ರಸ್ತಾವನೆಗೆ ಸಂಬಂಧಿಸಿದಂತೆ ಈ ಪತ್ರದೊಂದಿಗೆ ಲಗತ್ತಿಸಿರುವ ಅನುಬಂಧ-"ಎ" ರಲ್ಲಿರುವ ತಿದ್ದುಪಡಿಗಳನ್ನು ಮಾಡಲು ಸರ್ಕಾರವು ಅನುಮೋದನೆ ನೀಡಿದೆ.

ಈ ಯೋಜನೆಗಳಿಗೆ ಸಂಬಂಧಿಸಿದಂತೆ ಯಾವುದೇ ಆರ್ಥಿಕ ಸಹಾಯವನ್ನು ಸರ್ಕಾರದಿಂದ ನೀಡಲಾಗುವುದಿಲ್ಲವೆಂದು ತಿಳಿಸಲು ನಿರ್ದೇಶಿತಳಾಗಿದ್ದೇನೆ.

ತಮ್ಮ ವಿಶ್ವಾಸಿ

(ಹೆಚ್.ಎ. ಶೋಭ)

20/7/2021

ಸರ್ಕಾರದ ಉಪ ಕಾರ್ಯದರ್ಶಿ

ಆರ್ಥಿಕ ಇಲಾಖೆ (ಎಫ್ ಆರ್ & ಬಿಸಿಸಿ)



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per

Sew Dept  
3/7/21

**MODIFIED CHRONIC ASSET RESOLUTION [MCAR] SCHEME  
(AMENDMENTS-2021)**

**1. Accounts eligible for settlement:**

Present MCAR (Amended) Scheme - 2016	Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments-2021)
<p>(a) The loan should have been sanctioned on or before 31.10.2003; and</p> <p>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;</p> <p>(b) All accounts are under MR category</p>	<p>a) No Change</p> <p>The account should be in Doubtful-III category continuously for a period not less than two years.</p> <p>b) No Change</p> <p>c) All loans sanctioned for CRE sector [<i>construction and real estate sector</i>] are eligible for resolution under this scheme.</p>

	<p>The CRE definition as prevailing now [i.e., residential layout development, residential apartments, commercial and office building warehouse/ godowns prominently used for sub-letting and assistance under rental discounting schemes] may be adopted for the categorization of projects under CRE.</p>
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## 2. Ineligible Cases:

Present MCAR (Amended) Scheme - 2016	Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments-2021)
<p>(i) All loans sanctioned for CRE sector [construction and real estate sector] are ineligible for resolution under this scheme. However, in respect of cases where the primary and collateral securities have been sold can be considered under the scheme.</p> <p>The CRE definition as prevailing now [i.e., residential layout development, residential apartments, commercial and</p>	<p>a) Remove from ineligibility</p>

<p><i>office building warehouse/ godowns prominently used for sub-letting and assistance under rental discounting schemes]</i> may be adopted for the categorization of projects under CRE.</p>	
(ii) Cases of willful default, fraud and malfeasance	b) No Change

### 3. Resolution Formula:

Present MCAR (Amended) Scheme - 2016		Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments- 2021)
Category	Minimum Resolution Amount	
A	Where the value of primary assets is more than amount payable on 2 times of SI *	No change
B	Where the value of secured assets + 50% of net value of PP assets is more than the amount payable on SI basis and not falling under 'A' above.	<p>No change.</p> <p><i>Note:</i></p> <p><i>Valuation of personal properties at Guidance Value / SR value, plus 25% of the difference between SR value and Market value.</i></p>

C	Where the value of secured assets + 50% of net value of PP assets is less than the amount payable on SI basis and more than 30% of [PD+OD]	75% of value of secured assets + 50% of net value of PP assets OR 30% of P+OD whichever is higher.	<p>No change.</p> <p><i>Note:</i></p> <p><i>Valuation of personal properties at Guidance Value / SR value, plus 25% of the difference between SR value and Market value.</i></p>
D	The secured assets are sold / realised and net value of PP assets is -nil- or less than 30% of [PD+OD].	Maximum possible amount as determined by the Sub-Committee of the Board chaired by the Managing Director and recommendation of the Sub-Committee will be placed before the Board.	<p>No change.</p> <p><i>Note:</i></p> <p><i>Valuation of personal properties at Guidance Value / SR value, plus 25% of the difference between SR value and Market value.</i></p>

\* the amount payable on 2 times of SI means Disbursed amount + other debits + two times the SI demanded less (-) repayments.



Notes to the above Resolution Formula

Present MCAR (Amended) Scheme - 2016	Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments-2021)
(a) If the collateral security is a single dwelling house and occupied by the owner of the property a concession of 25% on its value may be given while determining the settlement amount. However, this concession is not applicable for settlement under option 'C' as 25% concession is already extended under the said option.	(a) No Change
(b) In respect of the collateral / personal properties located in rural areas as defined in the MCAR policy in addition to the concession in valuation of the property up to 25% proposed for the single dwelling houses, an additional concession up to 25% may be provided.	(b) No Change
(c) In respect of the cases where the chief promoters are deceased / suffering from chronic disease / incapacitated and are unable to run the enterprise nor earning any revenues from any other source, after detailed PP investigation, a concession up to 25% may be given on the settlement amount as determined in the respective resolution formula.	(c) No Change  Clarity on the following aspects be incorporated:  The word 'Chief Promoter/s' could be replaced by 'any promoter/s having a major share (i.e. 25% and above) in the unit or Guarantor / Collateral Security Owner if their legal heir / family come forward to settle the account may be given on the settlement amount as determined in the respective resolution formula.

	<p>If any of the promoter/s holding more than 25% of share, collateral security owner, guarantor come forward for OTS, if he /she is suffering from critical illness which will put him/her under financial duress during the recovery period, may not allow the person to get back to his normal life in the future will be eligible to avail the 25 % concession may be given on the settlement amount as determined in the respective resolution formula.</p>
<p>(d) In respect of the cases where primary and collateral securities are sold and the minimum resolution amount is determined on SI basis as per Formula 'B' in addition to the existing concessions indicated at (b) &amp; (c) above, an additional concession up to 25% may be offered, considering the factors like duration of loan, rate of interest, repayments already made, encumbrances, litigation and time frame involved in the realization of dues through courts.</p>	<p>(d) No Change</p>
<p>(e) It is proposed that the cases which involve these concessions at (b), (c) &amp; (d) above be placed before the Sub-committee chaired by the Managing Director and the extent of concessions be decided in this meeting and the recommendations will be placed before the Executive Committee / Board for final approval.</p>	<p>(e) No Change</p>



<p><i>(f) The cases settled on or after 01.04.2009 shall have an option to pay the balance settlement amount along with 100% delayed period interest calculated @ 15% p .a. on simple interest basis till the date of entire payment.</i></p> <p><i>Further, they have an option to opt for the new scheme in which case, the part of any settlement amount paid including initial amount will be considered for settlement under the same.</i></p>	<p><i>(f) The cases settled on or after 01.04.2009 shall have an option to pay the balance settlement amount along with 100% delayed period interest calculated at 9 % p .a. on simple interest basis till the date of entire payment.</i></p> <p><i>Board will review the same every financial year after finalization of accounts and increase the interest rates if cost of borrowing goes beyond 9%, factoring the variation in cost of borrowing.</i></p> <p><i>Managing Director will be the authority for condonation of delay.</i></p> <p><i>Further an option is open to opt for the prevailing scheme, if in vogue.</i></p> <p><i>The part payment including initial payment made for the earlier settlement proposal will be considered for the new settlement option.</i></p>
<p><i>(g) OTS cases approved prior to 01.04.2009 are not eligible for re-validation. However, part of the OTS amount paid towards OTS settlement including initial payment will be taken into consideration for settlement of account under the Scheme.</i></p>	<p><i>(g) No Change</i></p>
<p><i>(h) The resolution amount proposed to be collected as indicated above is the minimum amount.</i></p>	<p><i>(h) No Change</i></p>

<p>(i) 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 BO's. PP reports should be further certified by the concerned GM's in respect of BO cases.</p>	<p>(i) No Change</p>
<p>(j) For determining the resolution amount in respect of cases where the disbursed loan amount is less than or equal to Rs.10.00 lakh, the value of PP assets may not be taken note of in case the Government of Karnataka extends the validity of Special OTS Scheme.</p>	<p>(j) No Change</p>
<p>(k) 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.</p>	<p>(k) No Change</p>
<p>(l) Release of single dwelling house offered by third party as collateral security: In respect of cases which are eligible for settlement under the scheme and where the borrowers have not come forward for settlement the request of third party collateral security owners/ legal heirs can be considered if it is the only residential house belonging to them. The terms and conditions and other guidelines are enclosed at Annexure-I.</p>	<p>(l) No Change</p>

<p>(m) NA</p>	<p>(m) In respect of the cases where the units are closed down / abandoned due to court directions, Govt policies like banning of plastic industry, banning of stone crushing activities, Zonal regulations like CRZ, road widening, acts of god etc., which are beyond the control of promoters.</p> <p>These cases will be eligible to avail the 25 % concession on the settlement amount as determined in the respective resolution formula.</p>
<p>(n) NA</p>	<p>(n) In case of limited liability on collateral security, the resolution amount shall be equal to SI on the limited liability amount.</p> <p>Concessions as in c) above will be extended subject to ceiling of 50% of resolution amount.</p>
<p>Note :</p> <p>All concessions offered on the resolution of cases shall not exceed 50% of the resolution amount.</p>	<p>Note:</p> <p>The total concessions for any case shall not exceed 50% of the settlement amount as determined in the respective resolution formula</p>

#### 4. Delegation of Authority to Approve the Resolution:

##### a. Where no assets are available

(i.e., No Primary security / Collateral Security or any Personal Properties )

Present MCAR (Amended) Scheme - 2016		Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments- 2021)
Particulars	Approving Authority	
i) Resolution proposal without write-off i.e., P+OD and above irrespective of waiver amount.	Next higher loan sanctioning authority.	No change
ii) Resolution proposal involving write off	Board based on the recommendations of Executive Committee	No change.

##### b. Where assets are available

(i.e. Primary security / Collateral Security / Personal Properties)

Present MCAR (Amended) Scheme - 2016		Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments- 2021)
Particulars	Approving Authority	
i) Up to resolution amount of Rs.50.00 lakh without write off and if the loan sanctioned by the loan sanctioning authority is DGM / ZM and below irrespective of waiver amount	General Managers'*	No Change

ii) Up to resolution amount of Rs.75.00 lakh without write off and if the loan sanctioned by the loan sanctioning authority is GM and below irrespective of waiver amount	Executive Directors'*	No change.
iii) Up to resolution amount of Rs.100.00 lakh without write off and if the loan sanctioned by the loan sanctioning authority is ED and below irrespective of waiver amount.	Managing Director	No change.
iv) Resolution proposals without any write off irrespective of waiver amount.	Executive Committee	No change.
v) Resolution proposals involving write off	Board, based on the recommendations of Executive Committee	No changes

<p><i>* 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.</i></p> <p>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 cannot be approved by Mr 'A' in his capacity as a Zonal Manager / DGM and likewise.</p> <p>In such cases the approving authority will be the next higher level authority of ZM/DGM.</p>	<p><i>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.</i></p> <p>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 cannot be approved by Mr 'A' in his capacity as a General Manager / Executive Director.</p> <p>In such cases the approving authority will be the next higher level authority above the approving authority.</p>
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## 5. General Guidelines:

Present MCAR (Amended) Scheme - 2016	Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments-2021)
Particulars	
i) Reliefs under this scheme cannot be claimed as a matter of right. The Corporation reserves the right to accept or reject proposal for resolution under the scheme at its discretion.	No Change
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.	No Change
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.	No Change
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 unless otherwise provided as above.	No Change
v) 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.	No Change



vi) The resolution package as approved by the competent authority shall be placed before the next higher authority for information.	No Change
vii) 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 90 <sup>th</sup> day from the date of communication. The head of recovery department in HO and Branch heads are responsible for communication of cancellation of the resolution immediately after the expiry of 90 days	No Change

6. Guidelines for Valuation of Primary / Collateral / Personal Properties:

Present MCAR (Amended) Scheme - 2016		Proposed Modified Chronic Assets Resolution [MCAR] Scheme (Amendments- 2021)
Particulars	Guidelines	
i) 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.	No change in respect of Primary Security and Collateral Security.  However, Valuation of personal properties at Guidance Value / SR value, plus 25% of the difference between SR value and Market value.

ii) Rural areas <i>[for primary, collateral and PP assets]</i>	The valuation is to be determined taking into consideration the 100% SR value.	No change
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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 Bengaluru Mahanagara Palike, 10 Kms from the outer limits of the other City Corporation and 5 Kms from the outer limits of City Town Municipal Councils shall be treated as semi-urban areas.	The definition of Urban / Semi-Urban area will be based on the jurisdiction fixed by the revenue department for administrative purpose from time to time.
2) Definition of rural areas:  All areas excluding (1) above.	No change

No Changes are recommended on the existing guidelines for release of third party collateral security:

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