



The Karur Vysya Bank Limited
Special Scheme for Settlement of NPA In MSME Sector

1. Introduction

This document, in compliance with RBI Circular 'Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector' (Updated as on April 25, 2018)– Ref : RBI/FIDD/2017-2018/56 dated July 24 2017, is uploaded to give wide publicity to “the non- discretionary One Time Settlement scheme for MSMEs” implemented, by placing it on the bank’s website and through other possible modes of dissemination.

2. General Information

2.1 Coverage

1. The Scheme will cover NPAs classified as Doubtful & Loss assets in MSME sector, with total dues (contractual) of Rs.100.00 lacs and below as on the date of settlement.
2. The Scheme will also cover NPAs classified as Sub-Standard under Micro and Small Enterprises (MSE) Sector with total dues (contractual) of Rs.100.00 lacs and below as on the date of settlement, categorised as “SICK”/NON-VIABLE for restructuring or rehabilitation.
3. The Scheme will cover all eligible accounts where action has been initiated under SARFAESI Act, cases pending before Courts/DRTs subject to obtaining consent decree in such cases and also decreed accounts.
4. The Scheme will not cover those accounts eligible and covered under CGTMSE. However, the Scheme will cover those accounts where CGTMSE is not available or where the claim under CGTMSE is rejected.
5. The Scheme will not, however, cover cases of wilful default, fraud and malfeasance.
6. Accounts already closed / settled are not eligible.
7. In respect of group concerns, other accounts of the party have to be settled simultaneously.

2.2 Settlement Formula:

2.2.1 Sub-Standard Assets

Security / Networth	Minimum amount to be recovered	
	Total dues upto Rs.10.00 lacs	Total dues above Rs.10.00 lacs upto 100.00 lacs
Where realizable value of security alone is sufficient to cover the total dues	85% of the realizable value of securities or 85% of the Base Amount, whichever is less.	85% of the realizable value of securities or 85% of the Base Amount, whichever is less.
Where realizable value of security + net worth put together is sufficient to cover the total dues	75% of the Base Amount	75% of the Base Amount
Where realizable value of security + net worth put together is not sufficient to cover the total dues	60% of the Base Amount	70% of the Base Amount

2.2.2 Doubtful Assets:

Security / Networth	Minimum amount to be recovered	
	Total dues upto 10.00 lacs	Total dues above Rs.10.00 lacs upto 100.00 lacs
Where realizable value of security alone is sufficient to cover the total dues	75% of the realizable value of securities or 75% of the Base Amount, whichever is less.	75% of the realizable value of securities or 75% of the Base Amount, whichever is less.
Where realizable value of security + net worth put together is sufficient to cover the total dues	60% of the Base Amount	60% of the Base Amount
Where realizable value of security + net worth put together is not sufficient to cover the total dues	45% of the Base Amount	55% of the Base Amount

2.2.3 Loss Assets:

Minimum amount to be recovered	
Total dues (contractual/Decreed) upto Rs.10.00 lacs	Total dues (contractual) above Rs.10.00 lacs upto Rs.100.00 lacs.
40% of the Base amount	50% of the Base amount

2.3 Calculation of Base amount:

2.3.1 For substandard Assets:

Base Amount = Book Liability as on date of NPA Plus interest at Base Rate/MCLR+0.75% (Simple) from the date of NPA (on reducing balance) Minus Recoveries Plus Expenses incurred.

2.3.2 For Doubtful Assets:

Base Amount = Book Liability as on date of NPA Plus interest at Base Rate/MCLR (Simple) from the date of NPA (on reducing balance) Minus Recoveries Plus Expenses incurred.

2.3.3 For Loss Assets:

Base Amount = Book Liability as on date of NPA Plus interest at Base Rate/MCLR (Simple) from the date of NPA (on reducing balance) Minus Recoveries Plus Expenses incurred.

1. Total dues include book liability Plus unapplied interest at contractual rate OR decreed rate whichever is applicable.
2. In all the cases, the net worth shall be arrived at by taking into account only tangible movables and unencumbered immovable / attached (ABJ) properties of the borrower / guarantors.

2.4 Payment Conditions

- a. The amount of settlement arrived at as above, should be paid preferably in one lump sum, immediately on receipt of sanction.
- b. In deserving cases where borrowers are unable to pay the entire amount in one lump sum, Bank may consider recovering 25% of the amount of settlement upfront at the time of sanction and the balance amount of 75% should be recovered within a period of 3 months from the date of sanction. However, if the parties request for further time, another 3 months' time can be permitted subject to recovering interest @ Base Rate (Simple) /MCLR from the date of sanction of OTS till the date of final payment.

2.5 Sanctioning Authority

The decision on the one-time settlement and consequent sanction of waiver of unapplied interest and / or write off shall be taken by the competent authority as per the existing delegated powers.

2.6 Valuation

For total dues up to Rs.10.00 lacs, the Branch-in-charge can decide upon the value of the securities depending upon the prevailing market value / guidelines value / saleability of assets, etc. The value can be arrived at by taking into consideration applicable depreciation as per extant guidelines for machineries and other movable assets. In case of need, fresh valuation also may be got done through panel valuer.

For accounts with total dues above Rs.10.00 lacs, the valuation shall be backed by a valuation report of not older than 3 years from the date of proposal.

2.7 General

- a. The above guidelines for settlement are non-discretionary, and cover only MSME Sector borrowal accounts. To be eligible under this scheme, account should have been in NPA category.
- b. For the purpose of classification of the asset, prudential norms to be reckoned.
- c. The Scheme details will be published in the Bank's website.
- d. Wherever borrowers have filed cases against the bank/made counter claim, settlement under the Scheme shall be subject to withdrawal of the case/counter claim.
- e. OTS proposals submitted by the parties under MSME Sector which are not in accordance with the guidelines of this Scheme, such proposals may be entertained as per the Bank's Loan Recovery Policy of the Bank.

3. Disclaimer:

In case of any clarifications or assistance, please reach us at our Phone Banking numbers or contact your Nearest Branch.

The settlement norms are subject to changes as per Bank policy / regulatory guidelines issued from time to time.

