Shephali

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION
WRIT PETITION NO. 4513 OF 2023

KAILASH SWAMI,
(Prop. Of Hindustan Iron & Steel Traders),
Aged about 57 years, Indian inhabitant,
Flat No. 41, 4th Floor, Bldg. No. 43-B,
Madhuban Brindaban CHSL, Brindaban
Complex, Thane (West) 400 601 **...Petitioner**

~ VERSUS ~

1. **CENTRAL BANK OF INDIA,**
Khodabad Circle Branch, Jam-Jamshed
Charity Building, Kodabad Circle,
Dadar, Mumbai 400 014
2. **SOMPRAKASH ROHILLA,**
Flat No. N-25, Jalvayu Vihar, Powai,
Mumbai 400 076 **...Respondents**

SHEPHALI SANJAY MORMARE

Digitally signed by SHEPHALI SANJAY MORMARE
Date: 2023.07.20 19:20:09 +0530

APPEARANCES

FOR THE PETITIONER	**Ms Priyanka Kothari**, *i/b Vivek V Phadke & Nilesh N Mule.*
FOR RESPONDENT NO.1	**Mr Atul Damle, Senior Advocate**, *with RJ Singh.*

CORAM : G.S.Patel &
Neela Gokhale, JJ.

DATED : 19th July 2023

ORAL JUDGMENT (*Per GS Patel J*):-

1. Rule. There is a Reply and a Rejoinder. Rule returnable forthwith.

2. The matter is substantially similar to one that we decided a short while ago in *Shirdi Country-Inns Pvt Ltd and Ors v Union of India and Ors*.[1] We are informed that a Special Leave Petition against our order in *Shirdi Country-Inns* was later dismissed.

3. In that matter, as is in the present case, though with some factual details differentiating the two, there was a scheme for a one-time settlement ("**OTS**"). This was offered to the Petitioner in *Shirdi Country-Inns*. The submission on law and the counter arguments are in paragraphs 24 to 32. There was also another argument raised before us that the letter of the bank offering the OTS was only an invitation to offer. We rejected that argument as well.

4. We note this for two reasons. *First*, because the present case possibly is on a stronger footing than Shirdi Country-Inns. *Second*, many public sector banks have now evolved what are called "Special One Time Settlement ("**OTS**") schemes". These are explicitly said to be Non-Discretionary and Non-Discriminatory ("**NDND**"). Those two words are important because, in a separate and

[1] 2023:BHC-AS:10866-DB : Writ Petition No. 1379 of 2020, decided on 10th April 2023.

completely unconnected Writ Petition, our attention has been drawn to a certain RBI Master Circular which requires banks to evolve frameworks for such non-discretionary and non-discriminatory OTS schemes. The purpose of this is not to compel banks to enter into one-time settlements, but to ensure that there is some consistency within each bank and within the framework of each bank of how OTS schemes are offered to various constituents or lenders. It is not argued before us and therefore does not fall for consideration that the borrower has a right to an OTS. That may be the subject matter of a separate challenge elsewhere.

5. For our purposes, the scheme in question is one dated 22nd May 2020 and is in the form of an Instructions Circular No. 2333 issued by the 1st Respondent, the Central Bank of India. This scheme for some reason is not on Affidavit and not on record. A copy is handed up to us. For completeness, a scan of the scheme is appended to this order.

6. The 2nd Respondent to the Petition guaranteed the repayment of credit facilities advanced by the Central Bank to the Petitioner.

7. The Petitioner's story begins in 2000 when he obtained credit facility from the Central Bank in the amount of Rs 52 lakhs for his proprietorship business, Hindustan Iron and Steel Traders. There is the usual recitation of signatures on blank papers and so on, but that is now almost normal in every pleading against every bank. We will not let that detain us.

8. The Petitioner secured the loan with an equitable mortgage of Flat No. 41, 4th Floor, Building No. 43-B, Madhuban Vrindavan Complex, Thane (West).

9. Until 2005, there seems to have been no difficulty. After this, the Petitioner says, he suffered losses in business and commerce. He began to default in repayments to the Bank. Central Bank initiated proceedings in 2006 under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**"). The claim then was for Rs 76,29,757/- with interest at 15% per annum.

10. Having commenced recovery proceedings, the Central Bank put the mortgaged flat to auction. It published a sale notice on 17th April 2009. The Petitioner contested this before the Debt Recovery Tribunal ("**DRT**"). The Petitioner succeeded. The DRT held that the steps taken by the Central Bank could not be sustained.

11. Two persons had jointly bid at that first auction. Obviously, because of the order of the DRT, that auction stood cancelled. The Central Bank forfeited an amount of Rs 6 lakhs deposited by those auction purchasers. They then filed a securitization application before the DRT.

12. It is while all this was going on that the Central Bank introduced the OTS scheme which is called the NDND Special OTS scheme dated 22nd May 2020.

13. On 28th July 2020, matters unfolded with great rapidity. The Central Bank sent a proforma notice or offer letter — it uses those two words — to the Petitioner. There is some confusion in the page numbering of the record before us, but we find a copy of this offer letter at Exhibit "A1" to the Affidavit in Reply dated 2nd June 2023. A copy of this is also at Exhibit "A" at pages 23 to 24 of the Petition. It says in terms that the Central Bank advised the Petitioner that his dues were eligible for settlement on certain terms and conditions. The contractual amount due was by then Rs 3,11,49,648/-. The OTS offer was for Rs 40 lakhs. A minimum 20% of the OTS would have to be deposited for the application to be processed. The balance would have to be paid within 30 days of the OTS being sanctioned. A default in paying the entire OTS amount within the stipulated time would render the OTS infructuous and there would be no refund. It was clearly stated that if there were Court cases, orders would be needed from those forums or tribunals. The Petitioner had 15 days to indicate willingness and once again there was a reminder that the settlement would be processed only on receipt of a letter of acceptance with a deposit of 20%. This meant that the Petitioner had to deposit Rs 8 lakhs with the acceptance.

14. At page 25 of the Petition is the sanction letter also dated 28th July 2020 of the Central Bank of India and this tells us, and this is quite apparent from the foot of the letter at page 26, that the Petitioner immediately, on that very day, accepted the OTS offer and in fact deposited the amount of Rs 8 lakhs. The Central Bank sanction letter says in the second bullet point that application money of Rs 8 lakhs paid by the Petitioner would be appropriated towards the OTS amount. The details of the two cheques for Rs 4 lakhs each, both dated 28th July 2020, are also noted in this correspondence.

15. Thus, at this stage and applying the *Shirdi Country-Inns* principle, in law there was, save for one pending matter and possibly a second ministerial matter, an almost complete contract under the NDND Special OTS scheme. There was an offer letter, there was an acceptance and there was a sanction. What remained was the payment of the remaining Rs 32 lakhs, and then possibly orders of appropriate Courts where there were pending proceedings. But that is not how events subsequently transpired.

16. On 17th August 2020, the 2nd Petitioner wrote to the Central Bank forwarding four further cheques (two for Rs 9 lakhs, one for Rs 10 lakhs and one for Rs 4 lakhs) in the aggregate amount of Rs 32 lakhs, thus making a total of OTS payment of Rs 40 lakhs.

17. For then came a communication of 7th September 2020 at Exhibit "C", which purports to say that the NDND OTS scheme was not available because the previous auction purchaser had filed a litigation before the DRT under the SARFAESI Act. That communication from the Central Bank then termed the Petitioner's acceptance of the offer as a proposal and said that this had been declined. At Exhibit "D" at page 29 is a copy of a communication of 5th October 2020 from the Central Bank re-asserting that the Bank's 'offer' for an OTS 'had been declined'. Then it goes on to say that the amount of Rs 32 lakhs was being returned or refunded, but as regards the initial amount of Rs 8 lakhs, permission was being sought from the higher authorities. This would be returned on a receipt of approval. Ms Kothari for the Petitioner takes the greatest exception to these two communications.

18. To our mind, these two communications of 7th September 2020 and 5th October 2020 make no sense whatsoever. They are both completely contrary to the record, and directly contrary to the terms of the OTS Scheme itself. The starting assertion is wrong, and it is factually wrong. There was no question of the Petitioner declining the OTS offer. The Petitioner had in fact accepted it. The Petitioner had paid Rs 8 lakhs as required. And all this the Petitioner did on the very date of the offer letter itself. The Central Bank has it exactly backwards. There was no question of the Petitioner making a proposal or an offer. The offer came from the Central Bank. The Petitioner accepted.

19. We come now to the provisions of the scheme itself, because if after an acceptance of the Central Bank's offer and a subsequent sanction, the OTS scheme was to be refused to the Petitioner, it could be done only in the most stringent circumstances. By this time there was undoubtedly a contract, and the State cannot act arbitrarily in matters of contract and certainly not contrary to provisions of stated policy.

20. That there is a pending litigation is nowhere stated as a ground for rejecting an OTS proposal. In fact, to the contrary, Clause 2(i) of the OTS scheme contemplates an exactly reverse situation where the OTS can proceed *even if there are pending cases before Courts or DRTs*. Clause 2(i) is reproduced below:

> "(i) **Accounts where cases are pending before Court/DRTs will be eligible. However, consent decree with default clause will have to be filed before Hon'ble Judge/Presiding Officer of Court/DRT for obtaining consent decree.**"

(*Emphasis added*)

21. On a plain reading of it, the pendency of an application before the DRT could not be a reason for the Central Bank to say in its 7th September 2020 communication that the OTS scheme was inapplicable to the Petitioner. The Central Bank clearly knew of the DRT proceeding by the auction purchaser even before it made the offer. Even the offer letter does not stipulate such a condition. As we have noted, the Petitioner did not decline the offer but accepted it. The Central Bank acted on that acceptance and issued a sanction letter and indeed continued to retain (and still retains) the initial deposit of Rs 8 lakhs. There was, therefore, also no question of the Central Bank being entitled to "decline" because no offer was being made to the Central Bank.

22. Further, the requirement of 'consent terms' posits that the pending court case is by the borrower and that the borrower and the bank are the parties to it, i.e., that they are in a position to compromise and sign consent terms. It can have no application to a litigation by a third party with whom no consent terms were possible. That third party must be shown to have obtained an injunctive order or some relief to render the OTS Scheme inoperable. This was not the case: the Bank's first application was, at the Petitioner's instance, found not to be lawful. That first auction sale was cancelled or annulled. An application by the auction purchaser in that regard could hardly be an impediment to the OTS Scheme.

23. Further correspondence followed. The Petitioner filed an intervention in the auction purchasers' application before the DRT and repeatedly stated that the Petitioner would pay the remaining amount of Rs 32 lakhs. These details do not carry the matter further. By then, there was a recovery certificate issued.

24. Paragraph 26 of the Petition pleads that the OTS offer, its acceptance, and the sanction letter constitute a sufficient contract and that the Central Bank and instrumentalities of the State cannot even in matters of contract act arbitrarily or whimsically. That branch of law is now too well settled to warrant a more detailed examination.

25. Prayer clauses (a) and (b) of the Petition read as follows.

> "(a) that this Hon'ble Court be pleased to issue Writ of Mandamus or Writ in the nature of Mandamus or any other appropriate Writ, Order directing the Respondent No. 1 to accept Rs. 32,00,000/- from Petitioner towards balance amount of OTS under NDND Scheme and issue "No Dues Certificate" in favour of Petitioner;
>
> (b) that this Hon'ble Court be pleased to direct the Respondent No. 1 to hand over original title deeds of Flat No. 41, 4th Floor, and Building No. 43-B, Madhuban Vrindavan CHSL, Vrindavan Complex, Thane (West) to

> Petitioner simultaneously with required letters in favour of appropriate Authorities stating removal of its lien over the said flat and updating CIBIL record."

26. It is with this that we turn to the Affidavit in Reply.

27. We have with Mr Damle's assistance studied this Affidavit in Reply. What emerges from this, relevant for our purposes, is that there was apparently a second auction held on 17th March 2023. That auction purchase has not culminated in a sale certificate as yet. The reason for that *inter alia* is the order that we passed on 18th April 2023. We noted some of these facts in brief and made an order noting that the confirmation of the sale was scheduled for that very day. We prevented and restrained the confirmation of the sale.

28. We will proceed to this part of the case immediately. We do not believe that the second auction purchaser or the Central Bank can now present not just the Petitioner, but the Court itself with such a complete *fait accompli* by saying that since an auction has taken place, nothing can be done. As we noted, the Central Bank's first auction itself was found not to be lawful by the DRT. We see no way to uphold the Central Bank's unilateral withdrawal or termination or declining or about turn when it comes to the NDND Special OTS scheme. As we have noted, upon the deposit of Rs 8 lakhs being made and the sanction letter being issued by the Central Bank, all that remained to be done was payment by the Petitioner of the balance amount of Rs 32 lakhs and obtaining suitable consent orders in whatever Court there were pending proceedings (subject to those consent orders being possible in the first place, i.e., being in proceedings that the borrower and the bank could indeed compromise). The reason given by the Central Bank for allegedly declining the OTS is unsustainable. The second auction could not therefore have been held at all to begin with. The Petition itself was filed on 30th March 2023, very shortly after the Petitioner learnt of the second auction. The Petitioner can hardly be faulted for that.

29. The only other argument, and we only state it to reject it, taken in the Affidavit in Reply is that the person who signed the offer letter had no authority to do so. As Ms Kothari says, so far as the Petitioner is concerned, that person certainly had ostensible authority. It was not for the Petitioner to find out what authority every signatory on behalf of the Central Bank has. Nobody suggests that the gentlemen in question was not an employee of the Central Bank of India or was at that time, as the law would have it, on a frolic of his own.

30. As we noted, if anything, this case stands on an even stronger footing than *Shirdi Country-Inns*. There, some argument was raised about the Petitioner being eligible or not. That is not even the suggestion in the present case. Nobody argues that the Petitioner was ineligible under the NDND Special OTS scheme. None can deny the positive or affirmative act of the Petitioner pursuant to the offer letter issued by the Central Bank of India.

31. In our view, the refusal by the Central Bank of India to accept the amount of Rs 40 lakhs and to complete the OTS as offered and sanctioned are arbitrary and cannot be sustained. The Petition must succeed.

32. Rule is accordingly made absolute in terms prayer clauses (a) and (b). No costs.

(Neela Gokhale, J) **(G. S. Patel, J)**

सेन्ट्रल बैंक ऑफ इंडिया
Central Bank of India
CENTRAL TO YOU SINCE 1911

Central Office, Chander Mukhi, Nariman Point Mumbai – 400 021
CREDIT MONITORING & POLICY DEPARTMENT

Instruction Circular No - 2333	Date – 22nd May 2020
File No - 24	Dept Running No - 101

ALL BRANCHES & OFFICES

Reg: Non-Discretionary/Non-Discriminatory (NDND) Special OTS Scheme 2020-21 for NPA OD in SB & CD (DA3/Loss) with O/s CIF wise up to Rs 20 lakh and SSA, DA1, DA2, DA3, Loss & PWO/TWO A/cs with O/s CIF wise up to Rs 10 Crore as on 31.03.2020

In order to reduce NPA level of the Bank and to boost up our performance in Cash Recovery, Bank's Board has approved Non- Discretionary & Non-Discriminatory Special OTS Scheme 2020-21 for NPA accounts with outstanding CIF wise up to Rs 10 crore as on 31.03.2020 including OD in SB & CD (DA3/Loss) with O/s (CIF wise) up to Rs 20 lakh.

Non-Discretionary & Non-Discriminatory Special OTS Scheme 2020-21:

I. Salient Features:

i. This will be a non-discretionary and non-discriminatory scheme.
ii. The scheme is **valid up to 30.09.2020**
iii. Last date of receipt of application: 30.09.2020.
iv. The entire amount of OTS should be paid within 6 months from the date of sanction and not later than 31.03.2021 whichever is earlier.
v. Last date for conveying sanction: 15 days from the date of receipt of application along with initial deposit, and application completed in all respect should be received by Branch not later than 30.09.2020.
vi. The scheme will be applicable to
   A. Sub Standard Account (SSA), Doubtful Assets 1 (DA1), Doubtful Assets 2 (DA2), Doubtful Assets 3 (DA3), Loss Assets and PWO/TWO accounts and NPA OD in SB & CD (DA3/Loss) as on 31.03.2020 having Customer Exposure (O/s CIF wise) up to Rs.20.00 lacs.
   B. Accounts classified as SSA, DA1, DA2, DA3, Loss Assets and PWO/TWO as on 31.03.2020 with an outstanding aggregate (O/s CIF wise) of above Rs.20 Lakhs & up to Rs.10 Crore as on 31.03.2020.
vii. 100% margin shall be taken as MMDC/FDR in case of any LC/BG outstanding and it shall be released after the expiry of LC/BG and return of LC/BG or adjusted against devolvement/ invocation as the case may be.
viii. Waiver of URI and notional interest from date of NPA in respect of all eligible accounts.
ix. All legal and other expenses shall be waived.

2. **Coverage:**

i. Accounts where cases are pending before Court/DRTs will be eligible. However, consent decree with default clause will have to be filed before Hon'ble Judge/Presiding Officer of Court/DRT for obtaining consent decree.

ii. Cases where Bank has issued notice u/s 13(2) or taken action u/s 13(4) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI-2002) will be eligible.

iii. Accounts under Consortium or Multiple Banking arrangements will also be eligible to be covered under the Scheme.

iv. Eligible accounts referred for Revenue Recovery action under State Recovery Laws will be eligible, subject to requisite charges, if any payable, being recovered separately and remitted to the State Authorities.

v. All NPA A/Cs SSA, Doubtful, Loss, PWO/TWO as on 31.03.2020 with O/s Balance up to Rs. 10 Crore (CIF wise) are eligible under this scheme.

vi. NPA A/Cs assigned to JMFARC under Bulk Sale.

vii. Loan Accounts covered under CGTMSE Scheme, where the claim is rejected by the corporation due to any reason.

viii. Accounts in which Partial Claim is received from CGTMSE.

ix. Accounts assigned to Recovery Agents/Enforcement Agencies are also eligible, provided the A/c's are withdrawn after proper notice to the concerned agencies to which the A/c's were allotted. No commission will be payable to the agency.

x. Gold Loans where there is No Security left after sale of pledged Gold with the bank.

xi. Sanctioned OTS lapsed on or before 31.03.2020 and not extended under special provisions as circulated vide Instruction Circular No 2319, dated 30/04/2020 are eligible under this scheme. OTS declined by any authority may be settled, if otherwise eligible under this scheme.

xii. **In NPA accounts reported as fraud & wilful defaulter, the OTS proposals will be sanctioned by delegated authority not below ZM/ FGM Committee at ZO on the basis of sacrifice proposed on secured portion and unsecured portion.**

2.1 **Cases not eligible to be covered under the scheme:**

i. Central Govt. / State Govt. guaranteed accounts will not be considered under this scheme.

ii. "Compromise cases" where repayment has already commenced as per the agreed terms, are not eligible. However, cases of failed compromise settlement where the amount is not received within the stipulated time can be considered afresh.

iii. Units under rehabilitation / restructuring will not be eligible. However, units where rehabilitation / restructuring have failed are eligible.

iv. Units under liquidation will not be eligible.

3. **Concession will be given as under:**

NPA OD in SB & CD (DA3/Loss) having O/s up to Rs 20 Lakhs (CIF wise)		
IRAC as on 31.03.2020	**Sacrifice on secured portion of O/s (Based on Realizable value of security)**	**Sacrifice on unsecured portion of O/s**
DA3/Loss	70%	70%
Note: - Maximum Write off of O/s balance should not exceed total Provision held in the A/c.		

SSA, DA1, DA2, DA3, Loss & PWO/TWO accounts with O/s CIF wise up to Rs 10 crore			
Outstanding balance as on 31.03.2020	**IRAC Classification as on 31.03.2020**	**Sacrifice proposed on Secured Portion of O/s (i.e. Outstanding equivalent to the value of primary and collateral security)**	**Sacrifice proposed on Unsecured Portion of O/s (i.e. Outstanding in excess of the value of primary and collateral security)**
NPA & Written off A/cs having O/s up to Rs 20 lakhs	SSA	15%	15%
	DA1	25%	50%
	DA2	35%	60%
	DA3, Loss and Technical Write off/ Prudential Write Off	70%	70%
Above Rs 20 lakhs and up to Rs 1 Crore	SSA	15%	15%
	DA1	20%	50%
	DA2	25%	50%
	DA3, Loss and Technical Write off/ Prudential Write Off	30%	50%
Above Rs 1 Crore and up to Rs 5 Crore	SSA	15%	15%
	DA1	20%	45%
	DA2	25%	45%
	DA3, Loss and Technical Write off/ Prudential Write Off	30%	45%
Above Rs 5 Crore and up to Rs 10 Crore	SSA	15%	15%
	DA1	20%	40%
	DA2	25%	40%
	DA3, Loss and Technical Write off/ Prudential Write Off	30%	40%
Note: - Maximum Write off of O/s balance should not exceed total Provision held in the A/c.			

NOTE: -

i. In case of Restructured accounts, the outstanding in FITL & WCTL shall be considered as part of principal outstanding and appropriate concessions shall be given as applicable.

ii. 100% margin shall be taken as MMDC/FDR in case of any LC/BG outstanding and it shall be released after the expiry of LC/BG and return of LC/BG or adjusted against devolvement / invocation as the case may be.

4. **Authority to issue Offer Letter and Sanction of OTS:**

Delegated authority for issuance of Offer Letter and Sanction of OTS are as under:

Delegated authority for issuance of Offer Letter to the Borrowers			
	Branch Managers irrespective of cadres	SRM/RM	FGM/ZM
O/s (CIF wise)	Up to and inclusive of Rs.1 Crore	Above Rs.1 Cr &up to and inclusive of Rs.5 Cr	Above Rs.5 Cr up to Rs.10 Cr
Time Period for issue of Offer Letter to all eligible borrowers: Within a week after conveying the scheme to the field functionaries. The contractual amount has to be mentioned in the Offer Letter			

Delegated Authority for sanction of OTS			
	Branch Managers irrespective of cadres	SRM/RM Committee at RO	FGM/ZM Committee at ZO
O/s (CIF wise)	Up to and inclusive of Rs.1 Crore	Above Rs.1 Cr &upto and inclusive of Rs.5 Cr	Above Rs.5 Cr up to Rs.10 Cr

The constitution of the committees at various levels are as under:

4.1. SAC at Regional Office – For sanctioning proposals at RO

i	CM	Chairman
ii	Sr Manager/ Manager	Member
iii	Manager/ Asst Manager	Member
SRM/RM will not be a member of the above SAC, since he/she is the sanctioning authority.		

4.2. SAC at Regional Office – For recommending proposals to ZO

i	SRM/RM	Chairman
ii	CM	Member
iii	Sr Manager/Manager	Member
In the absence of any one of the members, any other officer who is instructed to look after recovery portfolio will be the alternate member.		

4.3. SAC at Zonal Office – For sanctioning proposals at ZO

i	AGM/CM	Chairman
ii	CM/ Sr Manager	Member
iii	Sr Manager/ Manager	Member
FGM/ ZM will not be a member of the above SAC, since he/she is the sanctioning authority.		

Proposals pertaining to CFB, MCB, FFAGMB, SAMB, ARB, beyond the power of Branch Manager should be forwarded to and sanctioned by FGM/ ZM Committee at Zonal Office.

5. Valuation of Properties:

i. The valuation report should not be more than 1 year old as on the date of processing / sanction of OTS. If the valuation of security is more than 1 year old, **fresh valuation up to Rs. 20 Lakhs shall be done by the BM with Assistant Manager/Head Cashier.** The valuation of security above Rs. 20 Lakhs shall be done by the bank's panel valuer as per Valuation Policy and should be kept on Branch record for scrutiny by Internal / Statutory Auditors.

ii. For Valuation of **Agriculture Land used for Agriculture purpose**, Circle rate prescribed by Government should be taken.

iii. For NPA borrowal accounts with outstanding up to Rs 20 lakh in case of valuation of Vehicles, Tractor & other Agri. Machinery/ Equipment etc. depreciation @ 20% under straight line method be calculated to arrive at the Present value of security.

iv. **Number of Valuation Reports from Bank's Panel Valuer:**

a. **In Retail and Agriculture advances**; One Valuation Report should be obtained if Market Value of Security (valuation of each security) at the time of OTS Sanction is up to Rs 1 Crore and in case Market Value of Security (valuation of each security) is above Rs 1 crore two valuation reports should be obtained from different valuers. Higher value has to be taken for arriving the OTS amount.

b. **In other than Retail and Agriculture advances**; One Valuation Report should be obtained if Market Value of Security (valuation of each security) at the time of OTS Sanction is up to Rs 5 Crore and in case Market Value of Security (valuation of each security) is above Rs 5 crore two valuation reports should be obtained from different valuers. Higher value has to be taken for arriving the OTS amount.

c. If Market Value of securities (valuation of each security) at the time of OTS Sanction is more than Rs. 5 Crore, RM/SRM or his nominated officer not below the rank of Chief Manager (not connected with the parent Branch) should inspect the securities & submit the report about fair assessment of Securities.

d. Valuation Report of the securities from the Bank's Panel Valuer should be as per extant valuation policy.

v. At the time of Processing/Sanctioning of OTS Proposal, fresh inspection report by Branch officials should be taken in all OTS proposals with security.

6. Processing & Turn Around Time (TAT)

Delegated Authorities have to identify eligible cases and send written intimation (offer letter) to all eligible borrowers for availing this facility, detailing the O/s dues, concessions offered, OTS amount, payment modalities, last date for application of OTS by the borrowers etc. Intimations to all eligible borrowers should be submitted in the format **Annexure A** and proof of dispatch / acknowledgement (AD) should be kept on record. The Delegated Authorities do not have authority to decline/reject any **eligible** proposals under this scheme or to deviate from the norms of the scheme and negotiate for higher/ lower OTS amount. In case anybody found to have violated the instructions, suitable action will be initiated against him/her as per rule.

The application has to be processed in process note (**Annexure B1/B2/B3/B4**). On Receipt of acceptance of our OTS offer letter by borrower along with 5% Down Payment, the OTS proposal should be sanctioned within Fifteen (15) working days. Sanction Letter (**Annexure C**) (in duplicate) will be prepared by the Sanctioning Authority. The duplicate copy of Sanction Letter will be acknowledged by the Borrower. The acknowledged copy will be kept in the Borrower File for its inspection by the auditors.

7. **Payment Terms:**
   i. The borrower has to deposit 5% of the OTS Amount at the time of submission of the application (in the form of letter addressed to branch head) to indicate his willingness for OTS, failing which the application will not be processed.
   ii. The borrower has to deposit 10% of the OTS amount as upfront money within thirty (30) days from the date of sanction of OTS failing which the OTS sanction will be rendered infructuous. This will include the amount deposited along with the application for OTS.
   iii. The balance of the OTS amount may be paid, **without Interest**, within **one month** from the date of sanction of OTS.
   iv. However, the balance amount can also be paid within six (6) months, preferably with monthly installment, from the date of sanction of OTS (the validity period) but not later than 31/03/2021, together with simple interest @ One year MCLR per annum on reducing balance basis effective from the date of sanction of the OTS. Failing to repay the entire amount within stipulated time-period, will render the OTS infructuous, and therefore amount paid under this OTS, if any, will not be refunded.

8. **Staff Accountability:**
No proposal should be declined if staff accountability has not been examined. However Staff Accountability exercise is to be completed as per extant Staff Accountability Policy.

9. **Other Terms & Conditions:**
   i. Delegated Authority who has sanctioned the particular Loan/Credit Facilities will not consider the OTS proposal of same loan account and such types of cases are to be referred to Next higher authorities.
   ii. C2C for write-off amount should be raised after recovering full OTS amount. NPA accounts under OTS settlement should be closed through CBS OTS Module after receiving C2C claim from Central Office.

10. **Review of Progress:**

The report on progress of the NDND Special OTS scheme will be submitted by Sanctioning Authority to Next Higher Authority on fortnightly basis in **Annexure D** for Monitoring, Scrutiny & Control. The copy of Process Notes are to be attached, if Write off amount is more than Rs.2 Lakhs.

Field General Managers/Zonal Managers/Senior Regional Managers/Regional Managers are advised to sensitize the Field Functionaries and make this NDND Special OTS Scheme 2020-21 a grand success. The Delegated Authorities should ensure that Non-Discretionary / Non-Discriminatory offer letters to all eligible NPA borrowers invariably be delivered and keep a duly acknowledged receipt (AD) for Bank's record.

ZO/RO should monitor the progress of NDND on weekly basis.

H S Garsa
General Manager
Credit Monitoring & Policy