

ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE ::KADAPA

Cir.No.77-2006-BC-CST

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COMPREHENSIVE RECOVERY MANAGEMENT POLICY

In order to minimise the incidence of NPAs, an efficient and effective recovery management is essential at all levels. In the light of further more stringent prudential norms in offing, the aspect has gained further more importance, warranting more effective and result-oriented follow-up of loans, so as to maintain healthy credit portfolio and to ensure that the profitability of the Bank is not at stake.

While the priority is to recover all the overdue loans as well as NPAs to the fullest extent and ensure that the fresh addition to NPAs is curtailed to the barest minimum, the borrowers who do not have sufficient means to repay due to successive drought conditions, the units have suffered losses and the irregularity of the loan was due to insufficient / no income generation from the unit and the default for the reasons beyond the control also need to be facilitated to overcome their agony.

In all such cases, it would be prudent to recover the loans under compromise, offering certain concessions. Therefore, the concept of compromise would imply an element of sacrifice on the part of the Bank and the extent of sacrifice therefore depends upon various factors, circumstances and also on satisfying certain basic conditions.

The endeavour of the Bank shall be to bring down the NPAs atleast to the commitments under MoU, besides recovering substantial amount under written-off accounts to the level agreed which helps to a great extent in improving the profitability to the largest extent besides helping in bringing the said borrowers into the fold of the Banking services. Further, all loans under standard asset category shall be monitored on regular basis to avoid fresh accrual of NPAs.

To achieve the above objectives, efforts shall be multiplied with proper planning of effective recovery management and timely execution of the same at all levels.

Prior to amalgamation, the constituent banks have been adopting different policies and subsequent to amalgamation of three banks i.e. Sri Anantha Grameena Bank, Pinakini Grameena Bank and Rayalaseema Grameena Bank it is felt necessary to formulate a common recovery policy and in the process, the following Comprehensive Recovery Management Policy is devised which is approved by the Board in its meeting held on 29-07-2006 for adoption and implementation by all branches in true spirit of the policy.

OBJECTIVES OF THE POLICY

- To minimize the incidence of fresh NPAs,
- To upgrade the existing NPAs by improving the quality of assets
- To prevent the slippage of NPAs.
- To maintain the quality of assets
- To closely follow-up the loans which are showing the signs of delinquency.
- To closely follow-up the sticky/irregular loans, suit filed accounts and decreed debt accounts for speedy recovery of the dues
- To reduce the level of NPAs by adopting various legal and non-legal measures for recovery
- To lay emphasis on recovery under written off accounts.

COMPREHENSIVE RECOVERY MANAGEMENT POLICY

The Comprehensive Recovery Management Policy broadly contains the following aspects:

1. Operational guidelines/procedures for effective monitoring, review and follow-up in the recovery of NPAs, through legal & non-legal measures (Part-I).
2. The policy guidelines on recovery of NPAs through compromise settlements & Concessions of interest in case of standard assets (Part-II).
3. Recovery of written-off accounts through compromise settlements (Part-III).
4. Recovery of NPAs by compromise settlements through Lok Adalats (Part-IV).
5. Guidelines for waiver of Legal action/Filing of EP (Part-V).

PART-I

Operational guidelines/procedures for effective monitoring, review and follow-up of the recovery of NPAs through legal and non-legal methods

MONITORING OF NPAs ASSET-WISE

a. Sub-Standard Assets:

The branches should take necessary recovery steps like issuing of notices to the borrowers and co-obligants, intensifying personal contacts individually/in groups and suggesting the measures for revival of the unit, etc.

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In case of pledged securities like goods/Certificates, assigned policies, etc., steps shall be taken to realise the same within the time as per the prescribed procedure.

In case of jewel loans, the securities shall be disposed of through group jewel auction, following the procedure laid down and the loans shall not be allowed to continue to figure in NPA category. However, **auctioning of jewels shall be a last resort after exhausting all available remedies for recovery/renewal keeping in view the sentimental value attached to the jewels by the borrowers.**

Where the dues are not adequately covered by securities, the possibilities of an out of court settlement shall be examined so as to avoid incurring of further expenditure and also delay involved in realization of dues through legal action.

Any slippage from SSA category will render the account doubtful, thus increasing the provision requirement resulting in a burden on the balance sheet. This is the most important and crucial area where regular monitoring is required to improve the status of the account as abundant scope is available for upgradation under SSA category.

b. Doubtful Assets

In the light of revised higher provisioning norms, the recovery is to be pursued more vigorously under this category and wherever necessary, prompt steps are required to be taken including initiation of legal action. However, filing of suit is to be generally resorted to after exhausting all the other normal avenues, unless there is a threat of documents getting barred by limitation, prolonged and willful avoiding of repayment, etc.

1. LEGAL ACTION

In respect of accounts taken up for legal action, some of the important factors to be kept in view are:

Before initiating legal action, Vakil notice to be issued to the borrowers and sureties as the legal notice may itself bring about the desired result.

Where the desired result is not forthcoming, filing of suit be considered with prior sanction from the competent authority.

Once the sanction is received, all the necessary papers shall be handed over to the legal advisor **against the acknowledgement in the prescribed proforma (AF-97)**. Every care shall be taken while preparing the plaint to state all the facts including particulars of securities and praying proper relief including compound interest with quarterly rests and calculating the plaint amount with interest up to date as per shadow account etc.

In case the securities are not adjusted/seized before filing suit, application for attachment before judgement shall be filed. Alternatively, the court shall be requested to pass an injunction order restraining the defendants from alienating/ parting with the securities charged/not charged to the Bank.

Immediately upon filing suit, the date of filing suit and number shall be obtained and track of posting, development of suit proceedings, shall be properly diarised and closely monitor duly providing required particulars to the Advocate on file.

Before filing suit, the present address of the borrower/coobligants with age particulars shall be informed. If the borrower is deceased, it shall be ensured to bring the legal heirs on record.

Filing of suits as far as possible shall be avoided in the last quarter of the financial year.

Arrangements shall be made to keep the suit proceedings actively followed up by arranging for proper witness/evidence as and when required without seeking adjournments. Latest amendments with regard to plaintiff evidence may be kept in view which exempts the personal appearance and filing of affidavit is suffice. Legal Adviser shall be consulted in this regard.

During the course of the proceedings, if the borrower/coobligant dies, steps shall be taken to bring on record the legal heirs without fail.

In case of death of the borrower/s, branch shall have to take certain steps either before initiation of legal action or subsequent to filing of the suit.

A) If the borrower dies during the pendency of the suit, all the legal heirs shall be brought on record within sixty days from the date of knowledge. In case if the borrower dies leaving behind no family members, then the branch has to ascertain as to who is/are entitled person/s to succeed his estate and he/they may be brought on record.

B) If the borrower dies within three years from the date of execution of the loan agreement without giving any revival letter/AOD, the suit shall be filed within three years from the date of execution of document against the legal heirs.

The long pending suit filed cases not yet decreed shall be reviewed periodically and shall ensure whether the same are properly filed or not.

Powers for granting permission to file suits

Functionary	Total Liability of the loan
Regional Manager	Upto Rs.1,50,000
General Manager, HO	Above Rs.1,50,000 and upto Rs.8,00,000/-
Chairman	Above Rs.8,00,000/- and All DRT cases.

2. FOLLOW-UP OF DECREED DEBT ACCOUNTS

As soon as the decree is passed, the decree copy shall be obtained expeditiously and verified. If the decree is not in order, steps shall be taken to get it amended in consultation with the advocate by filing an appeal before the competent court.

If the suit is dismissed/not decreed as prayed in the plaint, appeal against the judgement shall be filed in the next higher court, depending on the merits of the case, after taking permission from the competent authority. The competent authority to permit to file appeal is the authority who has permitted the filing of suit.

Immediately after the receipt of the decree, **notices shall be issued in the prescribed proforma (AF-53)** to the JDRs demanding for the payment.

Where there is no response to the notice and payments are not forthcoming within a reasonable time, say one month, immediate steps shall be taken to execute the decree without any loss of time so that ultimate aim of legal action in realisation of the dues is achieved. However, after the issue of notice an effort shall be made to meet the JDRs personally, at least once, for the recovery.

It must be ensured that decrees obtained are to be executed immediately, however not later than Six months from the date of decree.

Necessary particulars of charged and uncharged assets and latest addresses of the JDRs shall be made available to the advocate for getting the decree executed.

Where payments are made by the JDRs to the court, prompt and timely action shall be taken for filing the cheque petition, obtain the same from the court and credit the proceeds to the loan account.

If the judgement debtor fails to pay the decretal dues, necessary steps shall be taken to move the court by filing execution petition for arrest of the JDRs/attachment of salary by furnishing required information and it is to be ensured that the court Ameen as are given necessary assistance in the identification of the JDRs. In case of any difficulty in ascertaining/locating the whereabouts of judgement debtors, an application shall be filed pleading the Court to declare them as absconders.

Petition for arrest shall not be filed as a matter of routine, lest it may become financial burden for the Bank. It shall be done after proper assessment.

If there is any difficulty in the execution of decree, due to non-availability of details of assets owned by the judgement debtor, branches shall apply to the Court for an order under Section 21, Rule 41 of Civil Procedure Code requiring judgement debtors to disclose the full particulars of their assets.

Under no circumstances, the Decree shall be allowed to be time barred. The limitation period for decree is 12 years from the date of its passing when no appeal is filed as against the said decree. In case when an appeal is filed the limitation of 12 years starts to run from the date of disposal of the appeal by the appellate court.

Branches shall note that they shall discuss with the advocates thoroughly all the aspects of the case and shall provide all the relevant material to the advocates for preparation of complaints, appeals etc. Before signing the complaints, the same shall be studied and satisfy that all the material facts are incorporated in the complaints, appeals etc.

The provisions under the Revenue Recovery Act shall be made use of, particularly for recovery of dues under State Government Sponsored Schemes/ socially desirable schemes as per declarations by the State Governments. The assistance from the agencies concerned like DRDA/ SC Corporation/BC Corporation/Minorities Corporation/STEP/ SETKUR/ANSET etc., besides the assistance of local MRO, RDO etc., shall be enlisted.

3. MONITORING

Suit Filed/Decreed debt accounts to be monitored and reviewed at quarterly intervals by the functionaries as under:

Decreed amount	To be Monitored by
Up to Rs.50000/-	Branch Manager
Above Rs.50000/-	Regional Office

In case of loans of Rs.1.00 lakh and above, RO shall send a copy of review/follow-up letter to HO (Chairman’s Secretariat).

Filing of Execution Petition in respect of the decreed debts may also be entrusted to Advocates other than the ones to whom the cases were entrusted initially, if their performance was not satisfactory. The advocates who take interest in the EPs shall only be encouraged with further cases for issuing of notices, filing of suits and the advocates who do not take interest in the EPs shall not be favoured unduly.

4. LOSS ASSETS

All out efforts are required to be put in to improve the recovery of loss assets and ensure expeditious compromise settlements keeping in view the chronic nature of these accounts. This is the area which helps to improve the profitability substantially besides creating scope for retaining the active clientele base.

PART-II

COMPROMISE SETTLEMENT POLICY FOR NPAS

The compromise Settlement policy of the Bank is on the following lines:

Name of the scheme

The scheme for compromise settlement is named as **Pragathi One Time Settlement (POTS) scheme**.

I. Factors for considering the compromise proposals:

- a. Age of the loan account, its status and repayment already received.
- b. Whether it is cost effective to initiate legal remedy and if legal action is already initiated, whether it is worthwhile to pursue the case considering the opportunity cost, legal impediments, time factor, etc.

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- c. Nature of security available, its marketability, enforceability and the chances of its realization.
- d. Present financial position of the borrower/legal heirs, guarantors.
- e. Whether the default in the account is due to the circumstances beyond the control of the borrower.

II. Classification of compromise proposals -- four categories :

- 1. Compromise proposals in non-suit filed accounts;
- 2. Compromise proposals in suit filed accounts
- 3. Lok Adalat cases;
- 4. Compromise proposals in decreed debt accounts;

A. Compromise proposals in non-suit filed accounts - Factors to be considered:

- 1. The account should have been classified as NPA .
- 2. The default in the account should have happened due to the circumstances beyond the control of the borrower.
- 3. The business unit should have become sick/non-viable/non-functioning and net worth of the borrower has been eroded fully/partly.
- 4. The realizable value of the security is insufficient or the primary/collateral securities are not available.
- 5. The borrowers are absconding/deceased and chances of recovery of full amount from legal heirs are remote.
- 6. Justification to consider the compromise proposal without resorting to legal action should be specific.
- 7. Where borrowers are engaged in gainful activities, but income generated out of the activity is not sufficient to discharge the debt fully.
- 8. The documents shall be in force at the time of recommending for compromise settlement.

B. Compromise proposals in suit filed accounts - Factors to be considered:

1. Age of the suit and the period of its pendency in the Court.
2. Approximate time required for disposal of the suit.
3. Cost to be incurred for continuation of the legal proceedings.
4. Strength and weakness of the case in proceeding further, legally.
5. Chances of recovery of decretal dues by enforcing the decree.
6. If the case is contested, chances of getting the decree as prayed for in the plaint.
7. Value of property mortgaged, if any, and the impediments for sale/auction.
8. In addition to the above, all the conditions stipulated for non-suit filed accounts.

C. Compromise proposals under Decreed Debts - Factors to be considered:

1. Age of the decree and the efforts to be put in for execution of decree.
2. Realizable value of the asset and the chances of recovery by enforcing the decree.
3. Legal impediments if any where the Judgment debtor has filed appeal before higher Court against the order passed by the lower Court.
4. Whether the decree is enforceable or it is barred by limitation.

III. ELIGIBILITY

- * All accounts, which are in NPA (NPA / CGC / LIC-DD) category are eligible for settlement under compromise
- * The policy does not cover loans where the borrower is a wilful defaulter and fraud / malfeasance is noticed.
- * The policy does not cover staff loans and where staff member is a co-obligant / guarantor.

The settlement under compromise shall be considered in the following manner:

a) NPAs with book balance (excluding Int. receivable/Notional interest) up to Rs.50000/-

The settlement formula will be based on holistic approach.

b) NPAs with book balance (excluding Int. receivable/Notional Interest) above Rs.50000/-

The settlement formula will be based on modular approach.

IV. EXTENT OF SACRIFICE / SETTLEMENT FORMULA:

The extent of sacrifice may be on the following lines:

For NPAs with book balance (excluding int. receivable/Notional interest) up to Rs.50000/-

Holistic Approach

Sl. No	Asset category	Settlement formula
1.	Sub-Standard Assets	<i>Minimum amount to be recovered shall be:</i> "Book balance (+) interest @ 8% simple on the book balance from the date from which interest not debited to the date of realisation"
2.	Doubtful assets - Doubtful up to 1 year (D1), Doubtful 1-3 years (D2) and Doubtful above 3 years (D3)	<u>For D1 & D2</u> <i>Minimum amount to be recovered shall be</i> "Book balance (+) interest @ 7% simple on book balance from the date from which interest not debited to the date of realisation"
		<u>For D3</u> "Book balance (+) interest @ 5% simple on book balance from the date from which interest not debited to the date of realisation ."
3.	Loss Assets	Minimum 50% of the book balance as on date of NPA

The above settlement formulae indicate only the minimum amount (benchmark) to be recovered and negotiable for higher amounts, wherever possible.

Along with minimum settlement amount, branches shall negotiate for payment of legal expenses also.

However, in the case of well deserving cases keeping in view the earlier repayments, present financial position, death of the borrower etc., General Manager/Chairman may consider the proposals with further relaxations i.e. write-off of certain portion of the book balance/waiver of interest within their discretionary powers and such cases shall be forwarded to Head Office through Regional Office.

B. For NPAs with book balance (excluding int. receivable/Notional Interest) above Rs.50000/-

Modular Approach :

The settlement under this formula shall be arrived at by taking into consideration various parameters explained below. The modular approach would enable to arrive at a minimum settlement amount in each settlement proposal. However, it should be our endeavour to negotiate and obtain a better offer than the benchmark indicated in the modular approach.

Parameters

1. Realisable value of securities charged to the Bank.
2. Aggregate net worth of borrowers / guarantors.
3. Marketability of securities.
4. Asset quality.
5. Legal position.

System of awarding points

Sl. No.	Parameter	Points
1	<i>Realisable value of securities charged to the Bank (should be based on valuation not older than 1 year)</i>	
a.	Exceeds total dues (book balance + interest at (10% p.a.) from the date from which interest is not debited + undebited legal and other charges).	10
b.	Exceeds 75% of the total dues	8
c.	Exceeds 50% & up to 75% of the total dues	5
d.	Exceeds 25% & up to 50% of the total dues	3
e.	25% or less than the total dues	0
(Where there is no charged security, this parameter need not be applied.)		

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Sl. No.	Parameter	Points
2. Aggregate net worth of Borrowers / guarantors (to be calculated excluding the properties mortgaged to us and shall include all uncharged assets)		
a.	More than the total dues	4
b.	Exceeds 75% of the total dues	3
c.	Exceeds 50% & up to 75% of the total dues	2
d.	Exceeds 25% & up to 50% of the total dues	1
e.	25% or less than the total dues	0
3	Marketability of securities	
a.	Easily marketable	5
b.	Not easily marketable	3
c.	Not marketable	2
d.	No securities	0
4	Asset Quality	
a.	Sub-Standard Asset	4
b.	Doubtful asset - 1 year	3
c.	Doubtful asset - 1 to 3 years	2
d.	Doubtful asset - above 3 years	1
e.	Loss asset	0
5	Legal position	
a.	No defects / deficiencies in documents & mortgage is in order	2
b.	Documents are defective / mortgage not enforceable	0

ARRIVING OF SETTLEMENT AMOUNT (MINIMUM)

Points scored	Minimum settlement amount to be recovered
21 and above	Book balance + interest @ 8% simple from the date of NPA
17 to 20	Book balance + interest @ 7% simple from the date of NPA
13 to 16	Book balance + interest @ 6% simple from the date of NPA
10 to 12	Book balance + interest @ 5% simple from the date of NPA
6 to 9	Book balance + interest @ 4% simple from the date of NPA
5 and less	Book balance

Along with minimum settlement amount, branches shall negotiate for payment of legal expenses also.

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However, in the well deserving cases, keeping in view the earlier repayments etc. and in case of death of the borrower, General Manager/Chairman may consider the proposals for further relaxations, write-off certain portion of the book balance/interest within their discretionary powers and such special cases shall be forwarded to Head Office through Regional Office.

SANCTIONING POWERS

Functionary	Amount of Waiver (Rs.)	Amount of write-of(Rs.)
Manager Scale-I & II	5000	Nil
Manager Scale-III	10000	Nil
Regional Manager	50000	10000
General Manager	100000	25000
Chairman	Full	75000
Board	--	Above Rs.75000/-

The Recovery committees constituted to screen, recommend and consider the proposals at branch/RO/HO level.

At RO level, the Head of the Credit & Recoveries Department and an Officer shall constitute the committee. At branch level, the Officer (Advances) is the recommending authority and the Manager is the sanctioning authority. Where there is no Officer(Advances), the Manager alone constitutes the committee.

All sanctions shall be got noted by the next higher authority.

FORMAT OF SETTLEMENT PROPOSAL & SUBMISSION

Branches shall obtain a requisition letter (Annexure-1) from the borrower explaining reasons for default and expressing his intention to pay the compromise amount and the same shall be attached to the compromise proposal. The amount of offer paid along with the requisition and the due date for payment of balance amount shall invariably be mentioned in the said requisition.

After obtaining the request letter (Annexure-1) from the borrower/proposer of settlement, branch shall build up the OTS proposal (Annexure-II) . The format contains all the relevant columns to facilitate decision-making.

Branches shall follow the procedure given below:

If the proposal falls within the sanctioning powers of the Branch Manager, all columns shall be duly filled in and if the offer is acceptable and is in line with the norms, the sanctioning authority shall furnish the remarks - "After examining the proposal and merits of the case, compromise offer of Rs._____is accepted and notional interest of Rs._____ is waived." The OTS proposal thus sanctioned shall be filed and preserved properly.

If the proposal falls within the sanctioning powers of the Regional Manager, the branch shall fill up the compromise proposal in duplicate with all the details and submit one copy to the Regional Office for consideration by the Regional Manager. In case of proposals falling within the powers of HO, the Regional Manager shall give his remarks / recommendations and forward the same to Head Office.

If the proposal is to be considered under 'Modular ' approach (for NPA accounts with book balance above Rs.50000), computation sheet (as per Annexure-III) for arriving at minimum amount to be recovered, shall be filled in and enclosed.

After scrutiny and sanction of the proposal, Regional Office shall send a sanction letter (Annexure-IV) to the branch. If write-off is involved, sanction letter shall be sent in duplicate to enable the branch to send the same along with Dr.IBA to HO to respond.

The relevant forms are under print and till they are supplied to branches, existing forms may be continued to be used.

V. STAFF ACCOUNTABILITY

Whenever a compromise proposal is considered, it shall be examined whether staff lapses or staff involvement has contributed to the irregular state of account or whether malafide intentions are observed in recommending the proposal. If any malafides are observed, such accounts shall be taken up for investigation by the Inspection and Vigilance Department and based on investigation findings, disciplinary action has to be initiated. However, each compromise proposal should contain a note on staff accountability, invariably.

However, in the interest of recovery, the settlement of the account with the borrower may be considered and staff accountability may be fixed for recovery of the sacrifice amount.

VI. TIME LIMIT AND FUTURE INTEREST CLAUSE

Normally, settlement amount shall be paid within three months without future interest for the said 3 months period. In deserving/exceptional cases, longer repayment period may be granted by the sanctioning authority for not more than one year from the date of settlement. However, in such cases, the interest shall be charged at a minimum @ 5% on simple basis for the period beyond three months. However, in well deserving cases, RO can consider waiving of interest for a period of Three months and thereafter it shall be by Head Office(General Manager/Chairman)

Usual "default clause" shall be made applicable and the entire amount with applicable rate of interest without any concession shall be payable by the party in case of any default in the payment of compromise amount agreed upon. Recovery action as may be necessary shall be initiated in all such cases.

VII. DOWN PAYMENT

In respect of all settlement proposals, 25% of the offer amount shall be insisted from the borrower at the time of entertaining the settlement proposal to ensure party's intention to pay the settlement amount. The amount so collected shall be kept separately in suspense account and such amount shall be appropriated only on sanction of the settlement proposal by the competent authority. The balance amount shall be paid within 3 months from the date of sanction as per the terms of the sanction letter. As and when the offer amount is recovered, the branch shall send the recovery confirmation to RO/HO as the case may be.

After recovery of offer amount in full and if the closure of account requires write-off, branch shall raise Dr.IBA on Head Office, (Chairman's Secretariat)for the write-off amount as permitted in the sanction letter. While forwarding the Dr.IBA, a copy of the sanction letter of the RO shall be sent enclosed. To enable the branch to comply with the above, ROs shall send the sanction letter in duplicate to the branch wherever write-off is involved.

APPROPRIATION OF SETTLEMENT AMOUNT

The settlement amount collected shall be first adjusted to the book balance and thereafter to be appropriated towards legal expenses/ undebited interest and necessary slips shall be passed to square off the account.

REPORT ON RECOVERY

Soon after collecting the settlement amount in full, the branches should send a confirmation of recovery to RO/HO in a compliance report, as per Annexure-V.

Even if the proposal is sanctioned by the branch, the compliance report shall be prepared and kept with the proposal.

REPORTING THE SANCTIONS

Branches shall furnish the particulars of all proposals sanctioned during the month to the respective Regional Office as per Annexure-VI and ROs shall report the particulars of OTS proposals sanctioned by RO and branches together as per Annexure-VII to Head Office to have total picture of the proposals sanctioned.

STANDARD ASSETS - CONSIDERING WAIVER OF INTEREST

In view of 90 days payment delinquency norms, branches shall monitor all the loans under standard asset category, at regular intervals. Whenever signs of sickness are noticed in case of some loans and if the branch feels that the account may slip down to NPA despite the concerted recovery measures taken by the branch, branches may refer such cases to Regional Office for consideration of waiver of penal interest.

In case of death of the borrower/s, waiver of a portion of unrecovered interest upto a maximum of 50% can be considered by the Regional Office on merits of the case.

PART - III

Compromise policy in respect of Bad Debts (written-off accounts)

For borrowers, whose financial position has improved compared to their position at the time of writing off their debts and seeking compromise facility, the following settlement norms may be followed.

Settlement Powers

Branch Managers	Regional Office	Head Office
If the offer amount is 60% and above, of the Gross Written off amount Branch Manager, irrespective of Scale is empowered to settle the account	If the offer amount is between 40% to 59% of the Gross Written off amount, the RM is empowered to settle the account.	If the offer amount is less than 40% of the Gross Written off amount, the proposal shall be referred to HO for consideration by the General Manager/ Chairman

Gross Written off amount means the outstanding amount before adjustment of DICGC Claim Received amount.

PART-IV

SETTLEMENT THROUGH LOK ADALATS

NABARD, Mumbai vide circular no.31/IDD/3/03, dated 29.01.2003, has issued guidelines for compromise settlement of dues of RRBs through “Lok Adalats”

The salient features of the policy, as suggested by NABARD, are as follows:

Eligibility

At present, cases involving up to Rs.20 lakhs are permitted for referring to the Lok Adalats..

In case of non-suit filed accounts, it shall be ensured that the documents do not get time barred due to non-settlement before Lok Adalat and to avoid that risk of contingency, branch shall present the petition/claim form before Lok Adalat Committee at least 6 months prior to expiry of limitation of documents. The time elapsed before Lok Adalat will not be reckoned to save the limitation. In case when no settlement is arrived at before Lok Adalat and if branch proposes to file suit before regular court, it shall be ensured that time is not barred due to pendency before Lok Adalat.

Coverage of Borrowers

All NPA accounts (both suit filed and non-suit filed accounts).

Cut-Off Date

No cut-off date since Lok Adalat is an ongoing process.

Settlement formula:

The settlement formula to be followed shall be as per the OTS formula for different categories of assets explained in this circular.

1. Sanctioning powers:

Sanctioning Authority	Waiver of Interest	Write-off
Manager-Scale-I & II	5000	Nil
Manager-Scale-III	10000	Nil
Regional Manager	50000	10000
General Manager	100000	25000
Chairman	Full	75000
Board	--	Above Rs.75000/-

The Branch Manager concerned shall represent before the Lok Adalat after obtaining due sanction from the competent authority as above in the cases where the settlement amount falls beyond his powers .

2. A decree should be sought from the Lok Adalat for the settlement and after full payment of the consent decree amount, a discharge certificate may be issued by the branch and a claim shall be preferred with the Revenue authorities for the refund of the Stamp Duty and shall be followed up vigorously.

3. Repayment period - Execution:

Where the consent decree amount is not paid within the stipulated time prescribed by the Lok Adalat, branch shall proceed with filing of EP. However, in case of any genuine reasons, the branch desires to consider granting of further time shall seek permission for the same from RO.

4. Submission of statement

All branches shall report the progress to RO, once in a quarter, i.e., at the end of March, June, September and December of every year, as per the proforma prescribed. The RO consolidates the information and submits the consolidated information to HO for onward submission of consolidated information of all Regions of the Bank to NABARD, within one month from the completion of the respective quarter under copy to the Sponsor Bank.

Proforma of the statement

Name of the Branch :
Report for the quarter ended : (Rs. In lakhs)

	Total cases		Cases decided		Recoveries effected	
	No.of A/Cs	Amount outstan- ding	No. of A/Cs	Amount of compromise	No. of A/Cs	Amt
Opening Balance						
During the quarter ended						

Part-V

GUIDELINES FOR WAIVER OF FILING OF SUITS/EPs

In the case of loans where borrowers have been absconding, do not have any properties to attach, sureties do not have properties to attach, legal action will be unyielding and such action will add to the expenditure of the Bank only, in such cases the waiver of legal action to be considered subject to the verification of the pre-sanction/post-sanction lapses, if any.

At the time of recommending for waiver of legal action, the documents shall be in force.

Similarly, in the case of decreed debt accounts where the execution of EPs has become very difficult due to absconding of JDR, leaving no properties to attach, exemption from filing of EPs to be considered.

In all such cases, the proposals for waiver of filing suit / EPs, shall be submitted to RO/HO for permission.

Powers for waiver of legal action, Filing of EP:

Functionary	Waiver of legal action* (Rs)	Waiver of filing EPs* (Rs)
Regional Manager	50000	50000
General Manager, HO	100000	100000
Chairman	Above 100000	Above 100000

*For amount of principal + interest, etc.

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All branches/offices are advised to note all the above guidelines, adhere to the same and improve recoveries for a healthy credit portfolio.

Clarifications required, if any, may be sought from Head Office-Chairman's Secretariat- Recovery Cell.

(M.OBULESU)
CHAIRMAN

AF-97

LIC No. _____

ACKNOWLEDGEMENT

(To be obtained by the Branch from the lawyer at the time of handing over Documents for filing Suit)

I, Mr./ Mrs. _____ panel lawyer of Andhra Pragathi Grameena Bank, _____ Branch, do hereby acknowledge the receipt of loan document/DPN, in respect of Loan A/c No. _____ which is valid upto _____ and which was duly executed by.

1. Sri / Smt. _____
S/o D/o W/o _____

Borrower/s

2.

3.

1. Sri/Smt _____
S/o D/o W/o _____

Surety/ies

2.

3.

from the Manager, _____ Branch for filing a suit in the _____ Court _____ (place) with the suit amount being Rs. _____.

I also acknowledge the receipt of the following documents/papers besides the document referred above.*

- 1.AOD Dated:
- 2.AOD Dataed:
- 3.Ledger extract dated:
- 4.Vakil Notice/Registered Notice Dated:
- 5.Mortgage Deed dated:
- 6.
- 7
- 8

I further confirm to have verified the document/s and enclosures thereof and found them to be in order and in full shape.

I assure to file said suit before due date and inform all the particulars to branch immediately.

Date:

Place:

Signature of the Advocate

*Strike out whichever is not applicable

MANAGER'S CERTIFICATE

The above documents are hand over

Mr./Mrs. _____ Legal

Advisor on _____(date) in full shape by me.

MANAGER/OFFICER-IN-CHARGE

Branch:

Name:

Emp.No.

ANNEXURE-II

ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE :: KADAPA

Branch:_____

PROPOSAL FOR PRAGATHI ONE TIME SETTLEMENT (POTS)

1.Name/s & address of the borrower/s:

2.Name/s & address of the co-obligants:

3.Particulars of loan:

Date of Advance	Amt. Sanctioned (Rs)	A/c No.	Purpose	Amount repaid so far (other than compromise amount) (Rs)	Book Balance as at the end of previous quarter (Rs)	Undebited interest upto the end of previous quarter (Rs)	Interest not debited to account from (give date)

4.Legal status:

Date of suit	Suit Amount (Rs)	Date of decree	Decretal amount (Rs)	Decretal rate of interest particulars	Legal expenses incurred	Present position

5.DICGC particulars:

Amount of DICGC claim (Rs)	Balance in Claim Received account(if settled) (Rs)	Compro-mise offer (Rs)	Recovery to be shared out of compromise amount with DICGC (Rs)	Net amount available for the Bank to adjust to its dues (Rs)

6.Details of Net worth of the borrower/Co-obligant:

Borrower				Coobligant			
Nature of property	Present realizable value	Liabilities including bank loan	Net-worth (2-3)	Nature of property	Present realizable value	Liabilities Including bank loan	Net worth (6-7)
1	2	3	4	5	6	7	8

7.Particulars of properties charged to the Bank under Mortgage:

Type of Mortgage	Date of mortgage	Type of property & Extent	Present market value	Enforceability

8.Particulars of compromise offer :

Book Balance	Undebited interest upto the end of previous quarter	Costs(Legal expenses & Other charges)	Total Amount Due (1+2+3)	Compromise offer	Waiver of interest /costs	Write-off	Provisi on held	Impact (4-1+7)
1	2	3	4	5	6	7	8	

9.Status of loan account and recoverable amount:

Date of NPA	Status of A/c (SSA/D1 / D-2/D-3/LA)	Offer Amount	Total amount recoverable as per compromise policy (Holistic approach)	If processed under Modular approach	
				Points earned	Minimum settlement amount

10.Terms of payment:

Initial payment		Payment of balance amount	
Date	Amount paid (Rs)	Date assured	Amount (Rs)

11. Reasons for non-payment (furnish specific reasons):

12. Whether the reasons furnished by the proposer of settlement are true and genuine ?

13. Certificate of the branch:

This is to certify that the information furnished above is true and correct. We confirm :

- a) that the sanctioning authority exercised the powers judiciously and adhered to the guidelines issued by the Bank in the matter of grant of advance and the terms and conditions stipulated;
- b) that there was no laxity in the conduct and post disbursement supervision of advance;
- c) that there was no act of commission or omission on the part of the staff leading to the debt proving irrecoverable; and
- d) that all possible steps to recover the dues have been taken and there are no further prospects of recovering the debt and that the compromise is in the larger interest of the Bank.

(In case staff accountability was fixed for this loan, give details of the loan and the name of staff member/s)

Financial Implications & Impact on P&L account:

Implications			Impact on P&L account		
a	Book Balance		a	Book Balance	
b	Undebited interest From to		b	Compromise offer	
c	Legal expen' / other charges		c	Surplus/Deficit	
d	Total dues (a+b+c)		d	Provision held	
e	Compromise offer		e	Final impact (c+d) (+ / --)	
f	Gross Loss(d-e)		f	Amount to be shared with CGC	
g	DICGC share				
h	Net Loss (f-g)				
i	Of which, waiver of Int.				
j	Write off				

Interest yield : _____ %

15. Remarks /Recommendations of the Branch:

Date:

OFFICER(ADV)

MANAGER

I. (If the proposal is within the sanctioning powers of the branch)

Terms of settlement:

- a) Compromise offer accepted : Rs.
b) Amount of interest waived : Rs.

Date: OFFICER(ADV) MANAGER

II. (If the proposal is within the sanctioning powers of the Regional Office):

Recommendations of the Screening Committee:

We may Sanction/recommend for settlement of account under following terms:

- a) Compromise offer : Rs._____; d) Write-off : Rs._____
b) Waiver of interest :Rs. _____; e) Due date for final settlement
:_____
c) Waiver of legal expenses/other charges(costs):_____

Date: OFFICER SENIOR MANAGER

Remarks/Recommendations of the RM:

Date: REGIONAL MANAGER

III. (If the proposal is within the sanctioning powers of the Head Office):

Remarks/Recommendations of the Screening Committee:

After examining the proposal, recommendations of the branch & Regional Office , we may permit the branch to settle the account on the following terms.

- a) Compromise offer : Rs._____; d) Write-off : Rs._____
b) Waiver of interest :Rs. _____; e) Due date for final settlement
:_____
c) Waiver of legal expenses/other charges(costs):_____

Date: Officer Senior Manager (CST) Senior Manager (Credit)

ORDERS OF SANCTIONING AUTHORITY:

Date: GENERAL MANAGER /CHAIRMAN

Awarding Points–Scoring Sheet
(For NPAs with Book Balance **above Rs.50000**)

Sl. No.	Parameter	Points allotted	Points awarded
1	<i>Realisable value of securities charged to the Bank (should be based on valuation not older than 1 year) (Where there is no charged security, this parameter need not be applied)</i>		
a	Exceeds total dues (book balance + interest at 10% p.a. from the date from which interest is not debited + undebited legal land other charges)	10	
b	Exceeds 75% of the total dues	8	
c	Exceeds 50% & up to 75% of the total dues	5	
d	Exceeds 25% & up to 50% of the total dues	3	
e	25% or less than the total dues	0	
2	Aggregate net worth of Borrowers / Coobligants (to be calculated excluding the properties mortgaged to us and shall include all uncharged assets)		
a.	More than the total dues	4	
b.	Exceeds 75% of the total dues	3	
c.	Exceeds 50% & up to 75% of the total dues	2	
d.	Exceeds 25% & up to 50% of the total dues	1	
e.	25% or less than the total dues	0	
3	<i>Marketability of securities</i>		
a.	Easily marketable	5	
b.	Not easily marketable	3	
c.	Not marketable	2	
d.	No securities	0	
4	<i>Asset Quality</i>		
a.	Sub-Standard Asset	4	
b.	Doubtful asset – 1 year	3	
c.	Doubtful asset – 1 to 3 years	2	
d.	Doubtful asset – above 3 years	1	
e.	Loss asset	0	
5	<i>Legal position</i>		
a.	No defects / deficiencies in documents & mortgage is in order	2	
b.	Documents are defective / mortgage not enforceable	0	
	TOTAL POINTS ARRIVED	XX	

ARRIVING OF SETTLEMENT AMOUNT (MINIMUM)

Points scored	Minimum settlement amount to be recovered
21 and above	Book balance + interest @ 8% simple from the date of NPA
17 to 20	Book balance + interest @ 7% simple from the date of NPA
13 to 16	Book balance + interest @ 6% simple from the date of NPA
10 to 12	Book balance + interest @ 5% simple from the date of NPA
6 to 9	Book balance + interest @ 4% simple from the date of NPA
5 and less	Book balance

Settlement Amount arrived: Rs._____

Date:

OFFICER(ADV)

MANAGER

Annexure-III

(This letter may be used for sanction of written-off settlement also)

ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE :: KADAPA

_____RO/HO (CST)

Ref: / /OTS/ /200

Date: - - 200

The Manager,

_____ Branch.

Dear Sir,

Sub: Compromise settlement under OTS Scheme – Sanction letter.

Ref: OTS Proposal dated _____ of
Sri/Smt _____ Loan A/c No. _____.

Please refer to the above compromise proposal. The competent authority has permitted you to settle the loan account of the above said borrower on the following terms and conditions.

- 1.The borrower shall repay an amount of Rs._____ (Rupees_____)
in lumpsum/ ____ instalments by _____ (date) in full settlement.
2. The amount repaid shall be appropriated as follows:
 - a) Rs._____ towards the book balance.
 - b) Rs._____ towards interest.
 - a) Rs._____ towards legal expenses.
- 3.The branch can write-off an amount of Rs._____ by raising Dr.IBA on
HO(Chairman's Secretariat) to that extent.
- 4.The branch can waive undebited interest of Rs._____.
5. An amount of Rs._____being the expenses on the a/c may also
be recovered in addition to the compromise offer.
- 6.Regarding DICGC Claim Received amount, the appropriation/remittance shall be in
accordance with guidelines already given.
7. The particulars shall be recorded in 'Compromise Proposals Register'

- 8.The recovery in written off amount, if any, on a later date shall be sent to Head Office (CST) through a CrIBA along with particulars in the specified proforma.
- 9.Guidelines communicated under various circulars on compromise policy shall be followed without any deviation.
10. After final settlement, particulars shall be reported in the enclosed proforma (Annexure-IV) to Regional Office and in case of sanction by HO, to Chairman's Secretariat-HO.
- 11.The settlement shall be in accordance with the terms and conditions of this letter without any deviation.
12. It shall be once again ensured that interest/charges are correctly charged/debited, to avoid seepage.
- 13.You are permitted to accept the offer of Rs._____and close the account in full settlement in respect of write-off account. (in case of compromise settlement for Write-off loans)
14. This sanction is valid upto _____only.
- 15.

Yours faithfully,

OFFICER.

Copy to_____

ANNEXURE-IV

ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE :: KADAPA

_____Branch

COMPLIANCE REPORT ON ONE TIME SETTLEMENT

(This format is to be used for Compromise settlement under write-off loans also
by filling up relevant columns *)

(This Annexure shall be used in case of full settlement cases only)

1. RO/HO Ref.No.& Date* :
2. Name of the Borrower* :
3. Loan A/c No.* :
4. Date of closure of a/c (final settlement)* :
5. a) Amount of offer accepted* :Rs.
- b) Amount of offer received* :Rs.
6. Of the amount received,
 - a) Amount adjusted to Book balance* :Rs.
 - b) Amount adjusted to Interest* :Rs.
 - c) Amount adjusted towards legal expenses :Rs.
7. a) Amount written off :Rs.
- b) Branch Dr.IBA : No._____ dt._____
8. Interest waived :Rs.
9. Interest collected for delayed period :Rs.
- 10.a) In case of Write-off settlement ,
Amount remitted to HO* : Rs.
- b) through CrIBA * : No._____dt_____
11. Other remarks* :

Date:

OFFICER(ADV)

MANAGER

ANNEXURE-V
ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE :: KADAPA
Branch:_____

PROPOSAL FOR COMPROMISE SETTLEMENT IN WRITTEN OFF LOANS

- 1. Name/s & address of the borrower/s:**
- 2. Name/s & address of the co-obligants:**
- 3. Particulars of loan:**

Date of original Advance	Amount of original Advance	Loan A/c No.	Purpose of loan

4.Particulars of write-off

Gross Amount written off	CGC claim adjusted if any	Other amounts adjusted if any	Net Amount written-off (1-2-3)	Interest waived	Date of write-off	HO Ref.No.& date
1	2	3	4	5	6	7

Legal Status

Date of filing of suit	Date of decree	Amount of decree	Date of filing of EP	Present status of decree/EP

Compromise Offer

Recoveries received subsequent to write off	Compromise offer proposed now	Total offer (1+2)	% of offer to Gross Amount written off	Date of recovery/proposed date	Remittance of Recovered amount to Head Office		
					Amt.	Cr.IBA No.	Dt. of Cr.IBA
1	2	3	4	5	6	7	8

7.Present net worth of the Borrower:

8.Present net worth of the coobligant:

9. Other information, if any :

10.Branch Certificate:

This is to certify that the information furnished above is true and correct. We confirm :

- a) that the sanctioning authority exercised the powers judiciously and adhered to the guidelines issued by the Bank in the matter of grant of advance and the terms and conditions stipulated;
- b) that there was no laxity in the conduct and post disbursement supervision of advance;
- c) that there was no act of commission or omission on the part of the staff leading to the debt becoming irrecoverable; and
- d) that all possible steps to recover the dues have been taken and there are no further prospects of recovering the debt and that the compromise is in the larger interest of the Bank.

(In case staff accountability was fixed for this loan, give details of the loan and the name of staff member/s).

Date:

OFFICER(ADV)

MANAGER

Terms of settlement:

- Compromise offer of Rs. _____ is accepted / recommended.

Recommendations of the Screening Committee:

- We may Sanction/recommend for settlement of the account as above.

Remarks/Recommendations/orders of the RM:

III. (If the proposal is within the sanctioning powers of Head Office)

Remarks/Recommendations of the Screening Committee:

- After examining the proposal, recommendations of the branch & Regional Office , we may permit the branch to settle the account as above.

Date: OFFICE R SENIOR MANAGER(CST) SENIOR MANAGER (CREDIT)

ORDERS OF SANCTIONING AUTHORITY:

Date: _____ GENERAL MANAGER /CHAIRMAN