

OTS POLICY GUIDELINES - 2019

1. Validity :

1.1 This Policy will be effective from the date of approval of the Policy by the Government of Karnataka and remain in force till the introduction of next new OTS Policy.

2. Eligibility criteria:

2.1 The eligibility criteria are:

- a. *NPA Loan accounts/assets classified as doubtful / loss category including Memorandum register cases as on 31st March 2018 shall be covered, provided the status of these assets/accounts continues to be "NPA" so on the date of OTS application.*
- b. *Guarantors, sureties or persons who are not promoters, directors, or who do not share profits of the enterprises and who are not part of the management but who as third party have given their immoveable assets as collateral securities may seek release of their immovable properties given as collaterals subject to being eligible, irrespective of the fact whether primary and collateral assets are available or not and where available whether these having been sold or not and if sold whether the sale proceeds / amounts are realized completely or not.*
- c. *In cases of loans where any proceeding(s) are pending before Judicial Courts, Debt Recovery Tribunal (DRT) / NCLT, such assisted unit(s) may also apply provided they are otherwise eligible-subject to the condition that the assisted unit(s) shall furnish, along with OTS application form, an undertaking to withdraw the pending proceeding / case. In the event of such application being considered for settlement under this OTS Policy, the assisted unit(s) shall be required to submit the consent / decree / permission from the judicial forum. Further, the final withdrawal order of the case passed by the concerned Judicial forum voluntarily or otherwise be insisted prior to issue of No Dues Certificate (NDC) by KSIIDC which shall be subsequent to payment of settlement amount under OTS including all other loans and dues to KSIIDC, to the satisfaction of KSIIDC.*

2.2 Cases otherwise eligible may include the following:

- a. *where winding up orders passed or official liquidator (OL) appointed or BIFR recommendation for winding up;*

- b. *Where assets after seizure u/s 29 / 31 of SFCs Act have either been fully / partly sold or unsold.*
- c. *Where KSIIDC has obtained a decree from a competent Court with or without interest on the decreed amount provided such cases are otherwise eligible. However, in such cases, the decreed amount along with interest, if any, or the settlement amount as arrived under this Policy, shall be considered for loan recovery before arrival the OTS settlement amount and thereafter place before the board for approval.*

2.3 Ineligible Cases:

Cases of fraud and malfeasance are normally not eligible for settlement. However, if OTS is found to be a better route for recovery, such cases may be processed with due care and penalty imposition after prior clearance from the Managing Director and Board shall be competent to allow such cases for consideration without prejudice to the action/outcome of any criminal cases initiated / to be initiated by KSIIDC. Further, the assisted unit/Guarantors shall not be absolved from any action of their liability on account of fraud & malfeasance committed.

3. RESOLUTION FORMULA FOR SETTLEMENT OF DUES:

3.1 The OTS amount to be payable by an assisted unit shall be crystallized based on the following Resolution Formula:

	Category	Minimum OTS amount
A	Where the value of Primary assets is more than the amount payable on 2 times of simple interest.	Present Loan balance under Normal dues + Two times of interest under SI basis + Other debits
B	Where the value of secured assets Plus 50% net value of personal property is more than the amount payable on Simple interest basis	Minimum of dues payable on SI basis plus other debits.
C	Where the value of secured assets plus 50% of net value of personal properties is less than the amount payable on Simple Interest basis but more than the present loan balance	Present loan balance plus other debits or 75% of value of secured assets + 50% of net value of PP assets whichever is higher.
D	Where the value of secured assets plus 50% of net value of personal properties	75% of present loan balance plus other debits or 75% of

	is between 75% & 100% of present loan balance	value of secured assets + 50% of net value of PP assets whichever is higher.
E	Where value of the secured assets plus 50% of the net value of personal properties is between 50% & 75% of present loan balance	50% of present loan balance plus other debits OR 75% of value of secured assets + 50% of net value of PP assets whichever is higher.
F	Where value of the secured assets plus 50% of the net value of personal properties is less than 50% of present loan balance	30% of present loan balance plus other debits OR 75% of value of secured assets + 50% of net value of PP assets whichever is higher.
G	Where principal has already become zero and only interest is payable	In such cases, the Board will decide on OTS amount.

3.2 Detailed PP reports as per the prescribed formats in vogue should be certified by the concerned case worker / Recovery Officer and Head of the Department of Recovery. However in respect of the cases which are covered under formula A and in respect of cases where the primary assets are not available/Sold/do not have charges and promoters have come forward to pay the dues under SI basis, in such cases, PP investigation is not mandatory.

3.3 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 Goods & Service Tax, Income Tax, PF arrears etc., provided the property in question is attached by Statutory Authorities. In case of multiple claimants proportionate share shall be taken.

3.4 In case of collateral security, 25% of value of assets shall be considered as concession while crystallizing the OTS amount.

3.5 Further, the following concessions to be considered on the OTS amount as arrived above:

A) Sectoral concessions(on OTS Amount Arrived as at para 3.1 above)

Sector	Concession
Agro based, Floriculture, Tissue culture, Aqua culture	15%
Chemical, Textiles, Pharmaceuticals, Granite, Rubber	10%

- B) Special concession up to 15% in case of death, disabilities and serious illness (concession to be calculated on the OTS amount arrived as at para 3.1 above).
Note: This concession is applicable only in case of death/disabilities/serious illness of the chief promoter i.e. Managing Director in case of Companies / Managing Partner in case of Partnership Firms as per the appraisal memorandum.
- C) Special concession up to 10% to units located in Hyderabad Karnataka Region on the OTS amount arrived as at para 3.1 above (Districts of Bidar, Yadgir, Raichur, Koppal, Kalburgi and Bellary).
- D) Penalty imposition: When there is a fraud or Criminal case has been filed, no concessions will be considered.

Note: However, in any case, the concession mentioned above shall not exceed 25%

3.6 Where the OTS amount involves write-off of principal more than 50% of the present loan balance, in such cases a verification of personal properties may be carried out through third party (through private investigation agency).

4. Conditions for release of third party collateral Security:

4.1 Where the loans are secured by 3rd party collateral (residential or any other property) which are not covered under the resolution formula as at para 3.1, above, such property shall be released by collecting 75% of the valuation of the property, subject to following terms and conditions:

- a) Third party is defined as a person who has no stake in the unit or not related to the promoters in any way.
- b) Request for release of third party collateral security can be considered if it originates from security owner or his legal heirs.
- c) If the collateral security owner has also given personal guarantee in such cases only the mortgaged property should be released. Release of personal guarantee can be considered only after detailed personal property investigation and ensuring that no personal properties are existing / available.
- d) If there are more than one collateral security is given to a particular loan, while examining request for release of collateral security from one of the collateral security owners, the Corporation should inform the other

collateral security owners in writing about the Scheme and advise him to avail the same if interested.

4.2 Further, the following concessions to be considered on OTS amount as arrived at para 4.1 above.

- a) In case of collateral property offered by the third party is inherited, an additional 10%.
- b) In case where the third party collateral security owner is dead or incapacitated and the property is occupied by the surviving spouse or his/her children/s and or his or her dependent parents and there is no other residential or commercial property in the name of the surviving spouse or the dependent not married children an additional 10%.
- c) In case of matter is pending before the Court (in Misc. Petition, Execution Petition, U/s.32 G or under any suit) and not settled for more than 10 years, an additional 10%.
- d) In any case, the overall concessions mentioned at Para 4.2 should be limited to a maximum of 25% only.

5. Release of personal guarantee:

5.1 Release of a personal guarantee can be considered subject to following:

- a. The guarantor should withdraw the cases, if any, filed by him against the Corporation.
- b. Detailed investigations of the personal guarantee of the guarantor will be carried out after obtaining affidavit of his/her net worth. The amount payable under OTS shall be 50% value of the unencumbered personal properties. While examining such request for release of individual guarantee, the Corporation should inform the other guarantors in writing about the Scheme and advise them to avail the same if interested.
- c. Release of personal guarantee of an individual guarantor will be dealt with on case to case basis duly obtaining necessary legal opinion.

6. Pending OTS cases:

6.1 All cases where 10% initial amount is received and pending consideration shall be considered for OTS under this new OTS policy. However, in respect of proposals received under previous OTS policy/policies and placed before the CoD for deliberations and pending final approval of the Board, in such proposals shall

be placed before the Board in accordance with respective OTS Policies, along with the recommendations of the CoD for approval.

7. Power to accept or reject OTS application:

7.1 Notwithstanding anything contained in this Policy, KSIIDC reserves the right to accept or reject any application for settlement of loan dues made under this Policy at any stage without assigning any reason thereof. Submission of application under this Policy and / or payment of initial amount in part or full shall not bar KSIIDC from taking recourse to other alternative measures for recovery of the outstanding dues from the OTS seeking applicant(s).

8. Revalidation of approved OTS under previous OTS policy/s

8.1. At the option of the loanee/party OTS proposals approved and cancelled/withdrawn under any of the previous OTS policy/s will be considered for revalidation with the approval of the Board, provided there are genuine and justifiable reasons. Revalidation shall be restored on such binding terms and conditions as are laid down by the Board of KSIIDC.

8.2 Where revalidation provided in para 8.1 is not feasible and or not opted for then application under new OTS may be considered.

9. Procedure for Application :

9.1 All eligible loan cases as determined under Para 2 above and otherwise not found ineligible under para 6 above, shall submit the OTS Application for consideration under this Policy. Application shall be accompanied with the stipulated initial amount as down payment by way of Demand Draft / Pay Order / Bankers Cheque /NEFT /RTGS in favor of KSIIDC.

9.2 Application not complying with the above requirement shall be deemed incomplete and rejected summarily by the Head of the Recovery Department. No acknowledgement shall be issued for such applications.

9.3 Eligible cases/loanee constituents shall furnish Affidavit as per the prescribed format in **Annexure III**.

9.4 On receipt of OTS application and initial down payment an acknowledgement will be issued, which is a record of the fact that the assisted unit(s) has submitted application to KSIIDC on a specific date. **Receipt of application and initial down payment and / or issue of acknowledgement do not confer any right upon the applicant assisted unit(s)**. The application form so received shall be further subject to detailed scrutiny and verification of accounts, documents, assets, etc. and in due course decision regarding the settlement or otherwise under the OTS Policy shall be communicated to the applicant / assisted unit(s) by the competent authority of KSIIDC.

10. Payment Terms under this OTS Policy

10.1 Initial Down Payment: All applicants under this OTS Policy are required to pay an initial amount as down payment along with the application.

10.2 Initial down payment shall be 10% of the Loan balance [principal outstanding] as on the date of OTS application. Where the loan balance is zero, the initial down payment is to be computed on the loan balance before it became Zero.

10.3 In case of release of collateral security property the initial down payment shall be 10% of 75% value of collateral security.

10.4 In case of release of PG the initial down payment shall be 5% of outstanding principal amount.

10.5 Where the assisted unit opts to switch over from earlier OTS to the present OTS, his/her earlier part payments made, under the earlier OTS policy shall be treated as 'OTS payments' under the present policy.

10.6 If the third party collateral security owner has paid part payment to the loan account with a request for release of collateral security property, in such cases,

the amount paid so far shall be taken into account as part payment towards release of collateral security property under this scheme.

10.7 The initial amount so collected shall be held in “**other liabilities – OTS account**” till final resolution of the account and shall be non-refundable.

10.8. First twenty five percent of OTS amount: 25% of the OTS approved amount (less the initial amount paid as down payment) shall be paid within 30 days from the date of issue of OTS communication, failing which the OTS approval shall be deemed to be withdrawn/cancelled.

10.9. **Second twenty Five percent of OTS amount:** Second 25% of the approved OTS amount shall be paid within 60 days from the date of issue of OTS communication, failing which the OTS approval shall be deemed to be withdrawn/cancelled.

10.10. **Third Twenty Five percent of OTS amount.** Third 25% of the approved OTS shall be paid within 90 days from the date of issue of OTS communication, failing which the OTS approval shall be deemed to be withdrawn/cancelled.

10.11. **Forth Twenty Five percent of OTS amount.** Fourth 25% of the approved OTS shall be paid within 120 days from the date of issue of OTS communication, failing which the OTS approval shall be deemed to be withdrawn/cancelled.

10.12 If State/Central subsidy, interest subsidy, insurance claim etc., is received by KSIIDC subsequent to the OTS approval under this policy will be adjusted towards the part of the amount sacrificed by KSIIDC at the time of OTS approval.

10.13 If the OTS is cancelled / withdrawn for not adhering to payment terms as above, part amount paid under the OTS will not be refunded to the Company / Guarantors and will be adjusted against the normal dues of the loan account as per the provisions of Loan agreement executed.

11. Restoration of OTS approval under this Policy

11.1 Restoration of OTS approval under this Policy may be considered **within 365 DAYS from** the date of issue of OTS communication provided such extension is granted with due approval from the MD and payment of balance approved OTS amount together with interest computed at the rate of 9% p.a. on simple interest basis for the period of delay and condonation of delay by the MD. Restoration shall be considered for any default in payment of 25% of the approved OTS amount *[After adjusting the brought forward credits under previous OTS]*, provided the same is paid together with interest computed at the rate of 9% p.a. on simple interest basis for the period of delay. Any delay beyond the above period shall be placed before the Board for a condonation of delay, subject to payment of delayed period interest, as above.

12. Guidelines for Valuation of Primary / Collateral properties

12.1 For the purpose of valuation of land & building, the following yardsticks are applicable

Sl. No	Area to be valued	Method of valuation
1	Urban areas and semi-urban areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% guidance value or market value, whichever is higher.
2	Rural areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% guidance value.

12.2 The valuation of plant & machinery will have to be made keeping in view the make, year of manufacture, usage, wear and tear, obsolescence, availability of spares and period of closure, etc.

12.3 The market value of the assets will have to be worked out keeping in view, the encumbered liabilities on the properties, such as, dues to be paid to KIADB, electricity, statutory dues, litigation etc.,

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

12.5. Definition **of rural areas:** All areas excluding (I) above. Valuation of primary and collateral assets shall be carried out by external valuers who are on the panel.

13. Delegation Of Power:

13.1 MD, KSIIDC as Chairman of the Sub-Committee of the Board on OTS:

MD, KSIIDC, is authorized for issue of OTS offer letter from KSIIDC for obtaining consent from the loanee units along with the prescribed initial down payment to take-up processing of the OTS proposals. Mere issue of OTS offer letter from KSIIDC shall not in any way construe any right on the part of the loanee units for such consideration of OTS under this Policy. All proposals for consideration under OTS shall be subject to detailed evaluation as per the norms prescribed in the OTS Policy. All the OTS proposals strictly falling under the settlement formula at para 3.1 (A to F), 3.2, 4 & 5, the Sub-Committee of the Board on OTS is authorized to approve and issue OTS communication letters and Board may be kept informed about such approvals along with compliance.

13.2 Board:

- (a) All OTS proposals not covered under para 13.1 above.
- (b) Notwithstanding anything contained herein above, the Board of KSIIDC may, in respect of the following cases, reject the OTS proposal in the interest of KSIIDC:

Where the project has failed on account of Mis-management / negligence / willful default of the promoters / guarantors such as the following:

- Deliberate non-payment of dues despite adequate cash flow and good networth;
- Siphoning off of funds to the detriment of the defaulting unit;
- Assets financed have either not been purchased or have been sold & proceeds have been mis-utilised;
- Misrepresentation / falsification of records;
- Disposal / removal of securities without KSIIDC's knowledge;
- Fraudulent transactions by the borrower.

14. Interpretation:

14.1 Interpretation of the term or clause or any ambiguity or confusion arising during interpretation or implementation of this Policy shall be referred to the Managing Director, who shall be the competent authority to issue necessary clarification and to take remedial measures for smooth operation and implementation of this Policy. After such consideration, executive instructions necessary for implementation of this Policy shall be issued by the Managing Director.

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ANNEXURE –I

ITEM No.

**KARNATAKA STATE INDUSTRIAL & INFRASTRUCTURE DEVELOPMENT CORPORATION
RECOVERY DEPARTMENT**

Placed Before the ----- Board Meeting, held on _____

Sub : Settlement proposal under OTS Policy – 2019 in respect of
M/s.

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1	NAME OF THE UNIT / PARTY & ADDRESS	
2	ACCOUNT NUMBER	
3	CONSTITUTION (PROPRIETARY /PARTNER-SHIP / COMPANY)	
4	NAME OF THE PROMOTER/S	
5	NAME OF THE GUARANTORS	

6	LOAN DETAILS	Date of Sanction	Amount. sanctioned	Amount disbursed	ROI %
			(Rs. In lakhs)		
	Term Loan				
	Additional Term Loan				
	Bridge Loan				
	Total				

7	SANCTIONING AUTHORITY	
8	ACTIVITY / PRODUCT	
9	WHETHER THE PROPOSAL FALLS UNDER CRE SECTOR	

10	CUMULATIVE DEMAND UPTO 10.12.2018	TERM LOAN (Rs. in lakhs)		SSC	
		Normal	SI on contract rate	NORMAL	SI
	Principal				
	Interest				
	Other debits				
	TOTAL:				

11	REPAYMENT RECEIVED SO FAR:				
	Principal				
	Interest				
	Other debits				
	TOTAL:				

- Excluding the amount of Rs. lakhs received earlier towards OTS.

	By direct payment	
	By sale of assets	
	By subsidy	
	TOTAL:	
	IRR for the repayment recd so far:	
	IRR for proposed OTS ;	

12	PRESENT DUES (as on) Principal Interest Other debits TOTAL:				
13	Asset category	As on :			
		As on :			
14	Whether the unit is eligible to be covered under present OTS policy and not fall under ineligible clause				
15	DETAILS OF SECURITY AVAILABLE: a) Land } a) Building } b) Plant & machinery } c) Collateral security d) Current assets Total	Memorandum Value Rs. in lakhs	Present Value (Rs. in lakhs)		
			SR Rate	Market Value	
16	Details of Corporate guarantee obtained for the loan if any : a) Details of assets b) Details of liabilities c) Working results d) Net worth of the company				
17	Details of assets brought for sale a) Primary assets - Land and building) - Plant and Machinery) - Current assets b) Collateral security*	No. of Advt.	Highest offer received and date (Rs. in lakhs)		

18	DETAILS OF PERSONAL PROPERTY INVESTIGATION (in respect of both promoters / guarantors):
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a) Details of networth declared at the time of loan sanction :			
Sl. No	Immovable property details with location, measurement	Owned by	Value of the property
	Bio-data and net worth statements are not available with the memorandum since the memorandum of the KSFC was adopted.		

b) Details of personal property identified :				
Description	Name of the owner	Value of the property	Percentage of Share in Case of joint	
d			f share in case of joint	
		SR Value	y	

c) Liabilities if any on these properties			
d) Net value of personal properties: Based on SR value Based on market rate	PP value	Concession as per policy	Net of concessions
e) Present status of PG petition filed if any			

19	WHETHER AFFIDAVIT FROM PROMOTERS / GUARANTORS ARE OBTAINED	
20	LITIGATION / COURT STAY / INJUNCTION / PENDING BEFORE BIFR/AIFR AND OTHER FORUM IF ANY	

21	WORKING STATUS OF THE UNIT	
22	DETAILS OF INITIAL AMOUNT PAID	

23	STAFF ACCOUNTABILITY IF ANY	
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24	VALUATION FOR DETERMINING SETTLEMENT :	[Rs. in lakhs]
	Primary assets	
	Collateral	
	Net value (50%) of PP assets	
	Total :	

25. DETAILS OF LOAN / ASSISTANCE AVAILED BY OTHER INSTITUTIONS LIKE KSFC, BANK ETC., :

A)

a)	Name of the institution / bank	
b)	Name of the lead institution in case of joint finance	
c)	Amount sanctioned / disbursed	
d)	Present liability (as on)	Principal Dues : Interest :CI Basis : Interest :SI Basis : Other Debits :
e)	Details of recovery initiated	
f)	OTS offered by them if any	

B)

a)	Name of the institution / bank	
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b)	Name of the lead institution in case of joint finance	
c)	Amount sanctioned	
d)	Present liability	
e)	Details of recovery initiated	
f)	OTS offered by them if any	

26. SETTLEMENT OPTIONS :

OTS Formula under the Amended MCAR Scheme: (Amount in Rs.)

	Category	Minimum Resolution amount	OTS amount payable	Write off	Waiver
a	Where the value of primary assets is more than amount payable on 2 times of SI				
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				
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 (P+OD)				
d	The secured assets are sold/realised and net value of PP assets is nil or less than 30% of (P+OD)				

Note :

27. OTS AS PER POLICY :

Rs. in lakhs

Options	OTS amount payable	Write-off	Waiver
OTS amount to be paid as per policy: 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			

- The waiver amount pertains to KSIIDC only.

28. BACKGROUND :

29. REASONS FOR DEFAULT :

Following are the main reasons for default of the unit:

30. RECOVERY ACTIONS :

31. PRESENT STATUS OF THE UNIT :

32. REQUEST OF THE PROMOTERS :

33. PRESENT OTS PROPOSAL :

35. RECOMMENDATIONS OF THE DEPARTMENT :

The request of the promoters/collateral security owner can be considered in view of the following facts.

DETAILS OF ANNEXURES

Sl. No	Description	Annexure
1	Valuation report	Annexure-I

Manager [Recovery]

Deputy General Manager [Recovery]

Executive Director - I/c

ANNEXURE –II

(Draft letter of OTS communication to the NPA of the assisted units/ borrower)

M/s.....

Without prejudice

Dear Sir,

Re: One Time Settlement (OTS) of your loan account No. /Nos.---

Ref: Your letter No.-----dated-----

under the OTS Policy..

With reference to the above, we are pleased to inform you that your request for OTS has been approved by KSIIDC subject to the following conditions:-

(i) You should pay the OTS amount of Rs. _____ (including initial payment of Rs. _____, paid by you and kept in suspense account) With this the resultant sacrifice made by KSIIDC under OTS is Rs. _____ as on _____.

(ii) The OTS amount shall be payable in 4 (four) monthly installments as under:

(a) First twenty five percent (25%) of OTS approved amount (less the initial amount paid as down payment) shall be paid within 30 days from the date of issue of OTS communication.

(b) Second twenty five percent (25%) of approved OTS amount shall be paid within 60 days from the date of issue of OTS communication.

(c) Third Twenty five percent (25%) of approved OTS amount shall be paid within 90 days from the date of issue of OTS communication..

(d) Forth Twenty Five percent (25%) of the approved OTS shall be paid within 120 days from the date of issue of OTS communication.

Failure to pay any installment shall attract interest at 9% per annum on simple interest for the period of default. On failure to pay the OTS amount within 120 days from the date of communication, the OTS approval shall stand automatically withdrawn / cancelled.

- (iii) If State/Central subsidy, interest subsidy, insurance claim etc., received by the KSIIDC subsequent to the OTS approval shall be adjusted towards the part of amount sacrificed by the KSIIDC at the time of OTS and only the balance amount if any will be refunded.
- (iv) In case of suit filed cases, sub-judicial matter cases consent decree / compromise shall be obtained from the competent Court before closure of account under this Policy.
- (v) In case of NCLT "Permission from NCLT" shall be obtained before closure of the account under this Policy.
- (vi) The KSIIDC has the right to withdraw the OTS package if it comes to know subsequently that you have furnished false or misleading or incorrect or untrue information or any material information having bearing on the OTS decision. The KSIIDCs decision in this regard shall be final and binding.
- (vii) If you are not satisfied with the OTS terms then you may file an appeal or review application within 30 days of first communication of OTS to you.

Thanking you,

Yours faithfully,
DY. GENERAL MANAGER (RECOVERY)

ANNEXURE - III

(To be typed on Stamp Paper of Rs.100/-)

AFFIDAVIT

We:

(1) Sri / Smt Son/ daughter of
Sri. residing at

(2)

(3)

The promoters/ guarantors of M/s hereby solemnly declare on oath as under:

M/s a Private Limited Company / partnership Firm (hereinafter referred to as the "Borrower") had availed facilities from M/s Karnataka State Industrial and Infrastructure Development KSIIDC Ltd (KSIIDC). (Formerly known as Karnataka State Industrial Investment and Development KSIIDC Ltd,) No. 49, "Khanija Bhavana", Devraj Urs Road, Bangalore - 560001 for the purpose of setting up / expanding the industry situated at We have given personal guarantee for the facilities so granted by KSIIDC to the Borrower.

Due to various reasons, the Borrower has not been able to meet the obligations towards the facilities so obtained from KSIIDC. We, along with borrower have approached KSIIDC for One Time Settlement (OTS) of dues under the OTS Policy of We have made necessary arrangements for meeting OTS payments of the Borrower as required under the OTS Policy and we have taken the following steps for the purpose of getting necessary resources:

(Here indicate the steps taken)

1)

2)

3)

(Strike out if inapplicable)

We hereby undertake with KSIIDC that in the event the OTS is agreed to the Borrower by the appropriate authority of KSIIDC, we as well as the Borrower will discharge our obligations by submitting post-dated cheques for the OTS amount in accordance with the approvals so granted. We understand that based on this undertaking, KSIIDC will process our request for OTS. To this effect, we have sworn this affidavit on this date

Identified by me

Deponent

Advocate

SWORN TO BEFORE ME

NOTARY/ MAGISTRATE

Explanatory Note:

All words defined in the loan legal documents executed with KSIIDC shall apply as such without any further interpretation here. However, it is the express intention of KSIIDC to further simplify for presentation and clarification attached to the meanings and words expressed in this OTS policy document.

1. **Borrower:** A borrower is an applicant who has applied to KSIIDC and obtained financial assistance by way of a loan to meet specific requirements for a project proposal and one who has executed / signed legal loan documents with KSIIDC. The Borrower is legally responsible for repayment of the loan and is subject to any penalties for not repaying the loan with interest based on the lending payment terms agreed upon. A borrower could be a Partnership Firm or a Company limited either private or public or a Society / Co-Operative Society or a Trust, etc.
2. **Co-operative Society:** A Co-operative Society is a Society registered under the Co-operative Society Act 1959 and obtained Certificate of registration issued by the Registrar of Co-operative Society.
3. **Company - Private or Public Limited:** An entity registered under the Companies Act 1956 and created by law with a perpetual succession and a common seal.
4. **Collateral Security :** is a security given in addition to the primary security for securing the loan availed from KSIIDC under the surety agreement executed with KSIIDC. A Collateral security can be a vacant Land, House, Apartment, fixed Deposit or a Bank Guarantee / National Saving Certificate or pledge of equity shares of listed / unlisted Companies. KSIIDC is authorized / empowered to proceed against the collateral security for satisfaction of the loan balance / dues.
5. **Date of communication of the OTS Approval :** is the date on which the OTS approval is communicated to the OTS applicant by the authorized officer of KSIIDC to the address furnished in the OTS application or at the communication address registered with KSIIDC.
6. **Doubtful Asset :** is a loan asset classified as doubtful in the books of KSIIDC for the purposes of meeting asset classification and prudential norms requirement adopted by KSIIDC by way of a Circular issued.
7. **Due date for payment :** Due date(s) for payment of OTS Amount is to be calculated from the date of communication of the OTS Approval Letter including the date of issue of the letter. The “due date” shall be applicable as per the schedule for payment of OTS amount so communicated in the OTS approval letter. If the due date happens to be a Sunday or a public / declared holiday for KSIIDC, then the immediate preceding working day shall be deemed to be the due date for payment.

8. **Event of default** : Where OTS installment is not paid within the stipulated due date for payment as per the schedule communicated in the OTS approval letter, then a default is said to have occurred. Similarly if interest on the delayed OTS installment is not paid together with the installment in default then a default in payment of interest is said to have occurred. The period of default is calculated by reckoning the default as defined hereinabove from the date of OTS approval letter.
9. **Distress sale**: is a circumstance when a property, stock or other asset is sold in an urgent manner. Distressed sale often occur at a loss because funds tied up in the asset are needed within a short period of time. In other words, the seller is affected by unfavorable conditions that force the sale.
10. **Guidance value** : is nothing but a price of the property as per local Government.
11. **Market value** : The highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.
12. **Going concern** : Is an entity continuing in operation and without there being any intention or necessity for it to either liquidate or curtail materially its scale of business operations.
13. **Guarantor**: A person or entity who has agreed to undertake due repayment of the Loan as per the Deed of Guarantee executed by him / her with KSIIDC. This would include interest, enhanced interest, compound interest, additional interest, premium of prepayment or redemption, commission cost charges or whatever money payable under the loan agreement signed between KSIIDC and the borrower /Loanee. The guarantor is bound to fulfill the guarantee obligation that has been cast upon him / her provided the borrower /Loanee does not repay the loan with interest.
14. **Heading / Notes / Explanatory Notes in the OTS Policy**: Paragraph and foot notes are only for reference and shall not be deemed to alter the construction of the provisions of the OTS Policy.
15. **Inability to pay the OTS amount** : If during the tenure of the OTS approval there is a reasonable apprehension that the OTS applicant is unable to pay or has voluntarily or involuntarily become subject of the proceeding of Bankruptcy or insolvency law, then such an event will be construed as default.
16. **Lender / KSIIDC**: Means Karnataka State Industrial & Infrastructure Development KSIIDC Limited (KSIIDC – earlier known as Karnataka State Industrial Investment and Development KSIIDC Limited).

17. **Loan** : An arrangement in which KSIIDC gives money to a borrower/ Loanee and the borrower / Loanee agrees to repay the money, usually along with interest, enhanced interest, compound interest, additional interest, premium of prepayment or redemption, commission cost charges or whatever money payable under the loan agreement signed between the KSIIDC and the Borrower /Loanee, at some future point(s) in time. Usually, there is a predetermined time for repaying a loan.
18. **Loan Balance**: This is the amount disbursed by KSIIDC to the borrower / loanee as a loan under the loan agreement signed between KSIIDC and the borrower indicating only the Principal amount disbursed which is outstanding as on the specified date and does not include any interest component.
19. **Loanee**: An applicant, who has applied, met specific requirements and received a monetary facility / loan from KSIIDC is called a “Loanee”. In other words, loanee is the same as the borrower who has entered into the loan agreement with KSIIDC and who is legally responsible for repayment of the loan and is subject to any penalties for not repaying the loan back based on the lending terms agreed upon.
20. **Malfeasance**: Is an act of intentionally doing wrong either legally or morally which one had no right to do. It always involves dishonesty, illegality or knowingly exceeding authority for improper reasons, with an intention to defraud KSIIDC.
21. **Misleading Information**: If any information / particulars furnished by the borrower/Loanee/guarantor in the OTS application or any supporting documents or any other such documents / affidavits, etc., is found to be incorrect or misleading, then it will be construed as a deliberate default to secure the reliefs and concessions under OTS.
22. **Net Present Value**: Net Present Value (NPV) is defined as present value of future net cash inflows.
23. **Net realizable value**: A method of determining the present value of a stressed asset based on the assumption that the asset will be held for a period of time and sold at some future date. Net realizable value is the value determined or calculated to represent the present value of an asset (and / or a loan) at a point in time. In the case of a loan, this the value calculated after the loan has become past due.
24. **Net Worth**: Net worth is the sum of all of a borrower's / guarantor's tangible assets (including immovable property such as a residential / commercial / agricultural site or land and movables such as cash, cars, Jewelry, etc. as declared at the time of availing loan from KSIIDC and / or by means of an

affidavit or a statement or otherwise determined by KSIIDC after verification at any given point in time) minus any secured liabilities to banks / financial institutions on the tangible assets as evidenced with documentary proof.

25. **NPA Assisted Unit** : Is the same as a borrower / loanee who has defaulted in repayment of Loan together interest and other dues as per Loan repayment schedule prescribed and forming part of loan document/s signed between the Borrower and KSIIDC and where based on revenue recognition and prudential norms prescribed by RBI and adopted by KSIIDC, the Borrower's loan account is classified as "Non Performing Asset" as on 31.3.2011 in the books of KSIIDC.
26. **Non Performing Asset** : Also known as NPA is one where the borrower /Loanee has not paid any previously agreed upon interest and / or principal loan amount to KSIIDC for a period of more than 90 days, as defined by KSIIDC in its circular issued.
27. **Other Debits (OD)** : These are direct expenditure incurred by KSIIDC to maintain the account of the borrower for safeguarding the assets which are secured to the loan extended and to meet all expenses incurred by KSIIDC on behalf of the borrower. OD shall be paid / recovered upfront and will be in addition to the approved OTS amount.
28. **Overdue**: Any amount due to KSIIDC under any loan facility is 'overdue' if it is not paid as per schedule fixed and communicated and also if not paid within the due date for payment.
29. **Partnership Firm** : Is a Firm registered and recognized by KSIIDC in its loan agreement / document having the relation between minimum two persons who are majors and who have agreed to share the profits of a business carried on by all or any of them acting for all. Persons who have come together and entered into a partnership deed or otherwise are called Partners.
30. **Payment on due date(s)**: When payment is made on a due date through local cheques, local draft / local bankers cheque / local pay order / NEFT / RTGS, it would be accepted as a payment on the said due date.
31. **Place and mode of payment OTS amount**: All monies payable by the borrower /Loanee to KSIIDC under the OTS policy shall be paid at the registered office of KSIIDC as may be specified by KSIIDC to the borrower /Loanee. The Mode of Payment can be either by way of a Cheque / Bankers Cheque / Demand Draft / Pay Order / NEFT or RTGS. Any outstation cheque/s upon realization will be charged the applicable bank and KSIIDC collection charges and shall become payable by the borrower / loanee in addition to the OTS or any amount due or payable to KSIIDC.

32. **Primary Security** : shall mean the assets created such as land, building and plant & machinery purchased out of the loan / credit facility availed by the borrower / loanee from KSIIDC. This is directly associated with the project or business of the borrower / loanee and which is mortgaged / hypothecated to KSIIDC to secure the repayment of the loan with interest as evidenced in the loan agreement and other documents executed between the borrower / loanee and KSIIDC.
33. **Realizable sale value** : Market value less 10–15 percent will be the realizable sale value
34. **Surety** : A person who accepts legal responsibility for another person's debt or behavior, or money given as a promise that someone will do
35. **Third party collateral security** :3rd party owner who is a not a promoter or a relative of the promoter and who does not share profits and or losses of business or who is not part of the management of the enterprise,
36. **Urban and semi urban Area** :All areas coming under BBMP, BMRDA, BIAPA, all city corporations, all district headquarters, all town municipal corporations, and all areas coming under Taluk headquarters .Further, areas falling within 25 Kms from outer limits of Bruhat Bangalore Mahanagar Palike, 10 Kms from the outer limits of other city Corporations and 5 Kms from outer limits of city/ Town Municipal Council shall be treated as semi-urban areas.
37. **Rural Area** : All areas excluding 36 above.
38. **Valuation**: Is the process of forming and determining the value of an asset for a required purpose by KSIIDC. Valuation is to be carried out by an approved Valuer or as may be approved by a competent authority of KSIIDC.
39. **Inherited Property**: The Property or Some things that has been received from parents, grandparents, or other family members is called **inherited property**. Others are **inherited** legally, like money or **property** as an heir when someone dies.