

THE PRATAP CO-OP BANK LTD.**RECOVERY POLICY – 2023-24****PREAMBLE:**

The increased quantum of slippages and high NPAs are matter of great concern for all Banks. Moreover the stringent norms of Asset classification, income recognition and capital adequacy have made the banks increasingly sensitive to credit risks. Intense competition in market has shrunk the Net interest margin. It has become imperative on the Banks to manage NPAs effectively and efficiently to sustain profitability. It is in this context, the management of NPAs has assumed great importance. Hence the need for an effective Recovery Policy.

The basic concept of Recovery policy is to frame guidelines with a view to encourage compromise settlements, restructure / reschedule of loans, OTS (one time settlement) and accelerate recoveries within a reasonable period so that the funds can be recycled for better use.

OBJECTIVE:

1. To reduce the Banks NPA level in absolute terms by accelerating recoveries.
2. To encourage compromise settlements and accelerate recoveries, since legal measures for recovery are a long drawn process involving cost.
3. To closely review and follow up on a continuous basis all Standard Assets to avoid slippages, Rescheduling / Restructuring of accounts as per RBI guidelines will be resorted to whenever warranted on merits.



4. BASIC GUIDELINES GOVERNING COMPROMISE SETTLEMENTS:

- A compromise should be a negotiated settlement, which would ensure recovery of dues to the maximum extent possible within shortest possible time frame.
- While tackling NPAs, a proper distinction will have to be made between willful defaulters and defaulters due to circumstances beyond their control. While in case of the former, a tough stand has to be taken, in latter case a sympathetic view is required.
- Where security is available for assessing the realizable value, proper weightage has to be given to the location, condition, marketability and whether property is self occupied or tenanted etc.
- Due weightage to be given to present activities of the borrower / guarantor, their present means etc.
- While arriving at a negotiated settlement, the advantage available to the Bank from prompt recycling of funds should be weighed in comparison to the likely recovery by following legal or other protracted course of action i.e. opportunity cost analysis be made.
- Prompt action must be taken u/s 101 by obtaining recovery certificate or proceed against the defaulter by taking possession of the security under SARFAESIA. Symbolic possession must be taken immediately.
- After completion of formalities under SARFAESIA or after obtaining Recovery certificate u/s 101, proceed to obtain permission from Magistrate to take physical possession of security for sale thru auction.
- The internal reporting system should ensure prompt reporting of all compromise proposals approved, to the higher authority.



GUIDING FACTORS FOR SETTLEMENT/RELIEF PROPOSALS

Compromise / Relief proposals will be negotiated in keeping with the basic objectives spelt out above. The module approach has to be developed keeping in view the following key parameters.

- Realizable value and marketability of securities charged to the Bank if the advance / loan is secured. In any case the settlement amount should not be less than the Net Present Value of realizable value of available securities net cost of realization.
- Aggregate means of borrower / guarantors.
- Age of the NPA.
- Legal position of the Bank.

PAYMENT OF SETTLEMENT AMOUNT:

As far as possible, the settlement amount should be recovered in lump sum. Where the borrowers desire to pay the settlement amounts in installments, a maximum time period of 12 months from the date of approval, be allowed. Payment of settlement amount in installments will attract payment of interest. Wherever the settlement amount is sought to be paid in installments, there should be a minimum 25% down payment of the settlement amount.

APPROPRIATION OF SETTLEMENT AMOUNT:

The recoveries in the settlement account shall be appropriated in the following order after full adjustment of Principal outstanding.

1. Expenses incurred for various charges, such as legal expenses etc.
2. Interest



OTS PROPOSALS

The OTS proposals must be processed strictly as per the guidelines issued by the controlling agency (DDR) or Cooperation Department of Maharashtra State and RBI. This facility should not be allowed to willful defaulters under any circumstances and it should be ensured that the conditions of OTS are not circumvented to benefit the willful defaulters.

The minimum recovery under OTS must be the ledger outstanding on the date of payment of OTS amount.

CONCLUSIONS

The Recovery Policy if implemented scrupulously will positively yield satisfactory results in recovery of long outstanding over dues and NPAs. In turn it will help in increasing net profits of the Bank.

This policy has been duly discussed and approved by members in the Board meeting of 14th July 2023




CHAIRMAN