

**Shree Warana Sahakari Bank Ltd. Warananagar.**  
**Taluka: Panhala, District: Kolhapur.**

**Policy on Compromise Loan Settlement and**  
**Technical Write Off 2025-2026**

**[01] Introduction** :- On some occasions borrower is unable to repay the loans timely. There are various reasons for such failures in timely repayment. Few of them can be cited as under : -[a] death of borrower [b] dispute among partners [c] mismanagement by owners / borrowers [d] Changes in the government policies [e] heavy expenditure of medical treatment of borrower or his family member eg treatment for cancer etc [f] sudden downward trend or closure of business due to reasons like Carona [g] borrower loses job or he is arrested by police etc [h] natural calamity like flood, fire, draught, earthquake, storm [i] recession in business [j] over optimistic, un-realistic business projections by borrower [k] labour unrest / strike [l] unforeseen business problems such as abrupt and very high rise in prices of raw-materials, abrupt fall in the prices of finished goods [m] diversion of funds or loan amount by borrower [n] wilful default by borrower [o] failure of borrower to recover amounts from his debtors [p] present technology used by borrower has become obsolete [q] borrower met an accident and has incapacitated.

From above it is observed that in some of the cases, the factors affecting the business or reasons for non-repayment are beyond the control of borrower.

In such cases options before the banks are of legal action and non-legal measures. Legal measures are lengthy in process, time consuming etc. By the time bank gets decree, valuation of assets may deteriorate and may be realizable at a value lower than amount to be recovered. So also, the further process to acquire the assets of the borrower and recover banks dues tedious. In case of non-legal measures follow up with borrower, guarantors. State government every year declares One Time Settlement (OTS) Scheme. Borrowers eligible under the scheme can get some of the concessions. However, recently Reserve Bank of India vide its circular dated 08-06-2023 bearing reference number RBI/2023-24/40; DOR.STR.REC. 20/21.04.048/2023-24 has come out with a comprehensive framework for Compromise Settlements and Technical Write-Offs in case of stressed

assets. In case of this subject RBI has also published answers to FAQs on its web site. So also, RBI has sent a detailed reply to Indian Bank's Association on common queries of the banks. Accordingly following policy is prepared.

[02] OTS Scheme is declared by Officer on Special Duty & Additional Registrar of Department of Co-operation Government of Maharashtra, vide its circular dated 27-04-2023 bearing reference number URB-1807/Pra Kra 459(b)/7-a. Our bank has already implemented the same. However, now in terms of RBI circular dated 08-06-2023 this new policy is prepared and same shall be implemented.

**[03] Title of the Scheme** : This scheme will be named as Warana Bank Compromise Loan Settlement and Technical Write-off Scheme.

**[04] List of Parties Eligible to apply:** -- Following types of borrowers shall be eligible to apply under the scheme. All types of NPA accounts which are categorised under Substandard, Doubtful Category e.g. [i] Demand loan, Term Loan, Cash Credit, Bills Discounted, [ii] Priority Sector or Non priority Sector loan accounts, [iii] All types of suit filed accounts and advances, [iv] Loans eligible under OTS scheme of State Government [v] Loan accounts of which recover suits are pending before NCLT, NCALT, DRT, DRAT [vi] accounts decreed or pending for decree under Section 101 and 91 of Maharashtra State Co-op Societies Act [vii] Accounts against which cases under SARFAESI Act or cases under Arbitration Act are pending or concluded. [viii] Loan accounts of Wilful defaulters as well as loan accounts where fraud is perpetrated shall also be eligible for Compromise Loan Settlement Scheme, without prejudice to the criminal action initiated, if any, against the borrowers, external miscreants or staff, as case may be. [ix] Loan accounts where accounts have turned NPA within a period of a year from its first disbursement, that is quick mortality accounts, shall be eligible for Compromise Loan Settlement Scheme provided presently it is in at least in Doubtful-I category. [x] Apart from borrower(s), guarantors to the loan account, legal heirs of the borrowers, legal heirs of the guarantors, partners in the business, companies, directors of the companies shall also be eligible to apply under Compromise Loan Settlement Scheme. [xi] This Compromise Loan Settlement Scheme shall not be a right or prerogative of any of the borrowers. It shall be made applicable at the sole discretion of the Bank.

**[05] List of in-eligible borrowers:** - Following types of borrowers shall not be eligible -- [i] loan accounts where repayment is regular and accounts are classified as “Standard”. [ii] Loans granted to firms, companies, partnership firms associated with existing Directors and ex-Directors and their relatives. In case of loans where existing Directors and ex-Directors and their relatives are guarantors shall also not be eligible. [iii] Loans guaranteed by government departments or local government bodies [iv] Loans granted against security of gold, Fixed deposits, National Savings Certificates, LIC policies etc.

**Special notes** –[a] If such concession is to be made available to loans granted to firms, companies, partnership firms associated with existing Directors and ex-Directors and their relatives, OR if existing Directors and ex-Directors and their relatives are guarantors to the loans then in terms of Section 20 of Banking Regulation Act, prior and separate permission of RBI will be essential. [b] Such concession shall be made available to loans granted against security of gold, Fixed deposits, National Savings Certificates, LIC policies etc. only if assets/ securities in possession of bank are liquidated and credited to loan account and in spite of that there is some residual balance and all efforts of recovery of residual balance are failed.

c) In OTS process the officer who is engaged in processing loan proposal shall not scrutinize the OTS proposal. Due care has been taken that there will not be any conflict of interest while constituting OTS committee.

**[06] Formula for Compromise Settlement :** -

[06.01] This scheme shall be applicable to accounts which are classified as NPA as per RBI norms / circulars as on 31-03-2024 or prior to that.

[06.02] Total amount of principal plus interest as on date when account was classified as NPA shall be the amount eligible for compromise settlement. This eligible amount shall be considered as principal for further interest calculation.

[06.03] Simple interest on amount eligible for compromise settlement shall be calculated at the rate 09.25% OR rate of interest as applicable to the said loan account, **whichever is lower.**

[06.04] Realisable value of security (Realisable value is value which is certified by bank approved valuator) and amount calculated as per para number [06.03] here-in-above shall be compared and if the realizable value is higher then the compromise settlement amount will be lesser of the following.

Relizable value or total outstanding after deducting the penal interest / penal charges & other charges

[06.05] If realisable value of security is less than the amount calculated as per para number [06.03] here-in-above, then the amount calculated as per para number [06.03] here-in-above shall be the amount for compromise settlement that is amount to be recovered.

[06.06] When the realisable value of security is higher and the auction is conducted on three occasions and even then the security available could not fetch the amount equivalent to the realisable value of security, then in such a case, amount calculated as per para number [06.03] here-in-above shall be treated as amount for compromise settlement.

[06.07] If bank has conducted sale auction of the property for three times and if the sale price offered is not as accepted and the loan account is NPA for more than 5 years then principle outstanding as on date will be considered as settlement amount.

[06.08] If due to some legal hurdles bank is not able to take possession of the mortgaged property and account is in NPA for more than 5 years then the principle outstanding as on date will be considered as settlement amount.

[06.09] However the important condition is that in no case amount for compromise settlement shall be less than the principal amount as on date.

[06.10] In order to avail benefit of this scheme applicant will have to deposit minimum 5% amount of total amount to be paid and apply in prescribed format.

[06.11] Once 5% amount is deposited and formal applicable is submitted then proposal shall be scrutinised and placed before the Special Committee of Directors formed / constituted to consider Compromise loan settlement

proposals. Decision of the Committee shall be communicated to applicant in writing. Then applicant must deposit residual amount within a period of 15 days. If amount is deposited later, then proposal shall be re-submitted before the Special Committee of Directors formed / constituted to consider Compromise loan settlement proposals. Decision of the Committee shall be final and applicant will be required to deposit amount as per revised sanction.

[06.12] All Process should be completed within 180 days from the date of initial 5% deposited amount.

[06.13] The OTS proposals will be examined by Chartered Accountant along with its remark.

**[07] Latest Valuation of the Property :-** If saleable property is available, then bank panel valuator's latest valuation (less than three years) will be accepted for compromise settlement amount. If there is a big difference between the latest and the old valuation, then fresh valuation will be taken from other bank's panel valuator. All the three valuations will be placed before the OTS Committee for final conclusion.

**[08] Accounting in respect of Compromise settlement of already technically written off accounts :-** Steps similar as described in para number [06] here-in-above shall be followed. However, it shall be ensured that no amount is debited additionally to profit and loss account of the bank. Amount recovered towards compromise settlement of already technically written off account shall be credited to "Recovery in written off accounts"

[09] When proposal of compromise settlement is submitted by applicant or borrower it will be considered with the framework of this policy and RBI guidelines. Then applicant or borrower shall have to right to raise any dispute in any court or any legal forum or body.

**[10] Staff accountability:** - Staff accountability shall be examined in case of every account to which concessions under compromise settlement scheme have been offered.

**[11] Accounts where recovery suits are pending :** If any suit is already filed for recovery purpose or any other issue both the parties shall approach the Court and shall obtain the consent decree.

**[12] Cooling Period:** - The borrowers and guarantors who have availed concessions under Compromise Loan Settlement Scheme shall not be eligible to avail any new credit facility at least for next five years. It will be solely at bank's discretion to grant or not any new facility after the period of 5 years.

[13] If loan account is standard and subsequently it has turned NPA because the business activity is stopped due to natural calamity like flood, earthquake etc then in such cases, as an exception, and as rehabilitative measure, bank may waive the cooling period with the approval of Board of Directors.

**[14] Sanctioning Authority for Compromise Loan Settlement Scheme: -**

[i] All OTS proposals will be submitted to OTS committee constituted by the Board of Director of the Bank and its decision will be placed before BOM for recommendation and BOD for sanction.

[ii] Board of Management will have no powers to deal with the Compromise Loan Settlement Scheme. [iii] A separate committee of 2 independent directors plus expert director shall be constituted to deal with the loans which are sanctioned by a Committee of Directors. In such cases the separate committee as above shall make recommendations to the Board of Directors and Board of Directors shall deal with the proposal under Compromise Loan Settlement Scheme. [iv] In no case loan sanctioning authorities shall deal with the proposals under Compromise Loan Settlement Scheme.

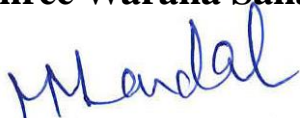
**[15] Reporting of /about the Scheme :** Following information shall be submitted to Board of Directors on half yearly basis – [i] trend in number of accounts and amounts subjected to Compromise Loan Settlement Scheme and technical write offs, that is to say quarter-on-quarter, year-on-years basis [ii] separate brake up of accounts classified as fraud, wilful defaulter, re-flagged accounts, quick mortality accounts [iii] amount-wise, sanctioning authority-wise, business segment/ asset-class wise, grouping of accounts [iv] recovery made in technically written-off accounts.

**[16] Settlement against future payments** : Compromise Loan Settlement Scheme shall not made applicable in lieu of future payments to be received by the borrower. If any such claims are recognized on the balance sheet of the Bank shall amount to restructuring.

**[17] Reporting to Credit Information Companies** : Information About accounts recovered through Compromise loan settlement scheme and information about technical write offs shall be informed to Credit Information Companies appropriately and intime, so as to enable to generate CIBIL Reports with true picture.

**[18] Repeal and Savings** : This policy is prepared for the current and next financial years that is period up to 31-03-2026 or till the time new or modified policy is approved by the Board of Directors. This policy is approved by the Hon Board of Directors in its meeting dt.

**Shree Warana Sahakari Bank Ltd;**



**Rajesh P Sardal**  
**Chief Executive Officer**