



EDC LIMITED

A Government of Goa Undertaking

Policy for

- 1. Compromise Settlement & Technical Write-off**
- 2. Special One Time Settlement Scheme**

SUMMARY OF POLICY:

Policy Name	Policy for 1. Compromise Settlement & Technical Write-off 2. Special One Time Settlement Scheme
Issue and Effective date	09/07/2025
Periodicity of Review	As decided by the Board of EDC
Owner/Contact	Recovery Department
Approver	Board of Directors (404 th Board meeting Dated 09/07/2025)

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1. Introduction & Objective:

EDC Limited was incorporated on 12/03/1975 as a Public Limited Company under the Companies Act, 1956 and was originally known as the Economic Development Corporation of Goa, Daman & Diu Limited. It is popularly known as EDC and is a State Financial Institution set up by the Government of Goa with prime objective of promoting Industrial Development in the state of Goa.

EDC is registered as a Non-Banking Financial Company (NBFC) with Reserve Bank of India (RBI) and is classified as Base Layer NBFC. EDC is a public sector Government undertaking controlled by the Board of Directors who are appointed by the Government of Goa, having representation from the Government, IDBI and Independent Directors being professionals, representative of Industries etc. EDC has been acting as a State Industrial Development Corporation (SIDC), besides being accorded the twin status of State Financial Corporation (SFC).

Since inception EDC has been providing loan assistance to MSME sector for setting up units in the state of Goa. In 2001, Government of Goa devised a special scheme “Chief Minister Rojgar Yojana (CMRY) scheme for setting up some business activity for the educated unemployed youth in the state of Goa. This scheme is operated by EDC Limited since the start of the scheme. These loans are paid by the borrowers over a period of 5 to 7 years depending upon type of project. Some of the borrowers face difficulty in the repayment of instalment and interest dues due to various operational difficulties. When there are defaults in the repayment of instalment and interest dues, the borrowers have to be classified as Non-Performing Assets (NPAs). Legal court cases are also filed in various courts for recovery of EDC dues. EDC has filed cases with DRO/DRT/civil courts for recovery of the dues in respect of the NPA accounts. Majority of these NPA accounts are before DRO under PMRA act. These cases are financed under hypothecation of moveable assets. With regard to the loan accounts wherein assets are mortgaged to EDC, the Corporation has attached and disposed off the mortgage assets under public auction and filed court cases on the promoters/guarantors for recovery of balance dues.

The Corporation has been incurring heavy expenditure on various heads like legal fees, advertising/auction fees, etc. Further in addition to this, the major expenditure is towards salaries of the manpower of the Corporation which is utilized for these chronic and sticky NPA accounts which do not fetch any returns in the process. The recovery action like filing Recovery cases in Courts, SLARO, etc. which has been initiated by the Corporation against the defaulting borrowers has not succeeded.

It is advisable to write off these NPA accounts depending upon the nature of defaults after all avenues of recovery are exhausted and chances of recovery of due amount seems remote. However, the efforts for recovery of these loan accounts continue even though the loans are technically written off in the books of account.

With regard to some of the loan accounts the borrowers approach the Corporation for compromise settlement of the loan accounts by waiver of certain instalments/interest dues. The objective of this Policy is to provide a framework for technical write off and compromise settlements.

2. Technical Write Off:

A write-off is an accounting term for the formal recognition in the financial statements that a borrower's asset no longer has value. Usually, loans are written off when the provision for the NPA account is 100% and there is no realistic prospect regarding either settlement or recovery. These loans are transferred to the off-balance sheet records.

The write off is essentially a prudent accounting measure to acknowledge the unrecoverable debt thereby reducing the level of Gross NPA. As such defaulting loan accounts are either written-off or fully provided for or substantial provision is already available. However, the write-off does not preclude the lender from enforcing, selling or transferring the credit to another entity. Writing-off a loan account does not entail forgiving the debt. The borrower still owes money to the lender; however, the lender has derecognized this asset from its financial statements due to nonrecovery of dues.

2.1 Eligible accounts for write off:

- a. The accounts proposed to be written off should be classified as doubtful or loss assets. The minimum ageing for a technical write-off should be at least 18 months from the date of the account turning NPA.
- b. Accounts where deterioration in collateral value warrant a technical write-off.
- c. The loan account should have adequate provision to contain the loss at a minimum level.
- d. Accounts where suits have been filed but chances of recovery are bleak even if the cases are decreed.
- e. Accounts that become substandard due to the death of the main earner can also be considered for write off as often the claim amount from the Insurance Company is not sufficient to fully settle the dues.

2.2 Process for write-off/compromise settlements:

- a. The Recovery Department shall submit a report on non-recoverability of dues along with the proposal to write off the loan accounts to the Managing Director (M.D).
- b. The exercise of writing-off of the balance is carried out in consultation with the Accounts Department and the aggregate amount to be written-off be finalized with the approval of the M.D.
- c. All write off proposals after due process will be placed before the Board of Directors for approval.
- d. The follow up for recovery of a written off loan shall be continued on par with other live accounts. All possible steps to recover the dues shall be initiated even after write off in the larger interest of the Company.
- e. Ensure that writing off loans should not in any manner dilute the recovery mechanism and should not give any negative signals to regular and prompt borrowers.
- f. The Recovery department shall ensure that all the relevant loan documents are enforceable and legal options / compromise proposals shall be explored.
- g. The Recovery department shall ensure that the details of accounts written off are informed to the Bureaus / Credit Information Companies.

2.3 Accounting treatment of Write-off of loan accounts:

- a. The writing off a loan account shall be accounted for by passing a journal entry to debit the ledger head as decided by Accounts Department and a credit to the loan account.
- b. In case the borrower resumes servicing its debt, or the exposure is sold, a recovered amount would be directly recorded as income in the profit and loss (P&L) account.
- c. In respect of these accounts, the Corporation has already written-off these accounts in the books of accounts. Any amount received from these accounts will be considered as income in our books of accounts.

2.4 Staff Accountability

For all cases being written-off or undergoing OTS/compromise settlement, the Corporation will do a thorough check / investigation of the proposals to ensure that there is no lapse or violation on account of any of the employees and ensure that the staff strictly follows the format/guidelines laid down by the Board . If any lapses or violations due to non adherence of the guidelines is found, a case report will be submitted to the Managing Director for taking relevant action on staff within 90 days of report submission.

2.5 Methodology of arriving at Realizable Value

For all cases being written-off or undergoing OTS/compromise settlement, technical valuation will be undertaken by the Recovery department (independently of the technical department) to arrive at a realizable value. The valuation will be carried out through an empaneled valuer, who is different from the valuer who did the valuation at the time of sanction.

2.6 Reporting to Board of Directors

Compromise settlements and technical write-offs approved by the Managing Director or Committee would be reported to the Board on a quarterly basis. A suitable reporting format so as to ensure adequate coverage of the following aspects has been prepared by the Corporation.

- a. trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off .
- b. out of (a) above, separate breakup of accounts classified as fraud, red-Flagged, willful default and quick mortality accounts.
- c. Amount-wise, sanctioning authority wise, and business segment / asset-class wise grouping of such accounts.
- d. extent of recovery in technically written-off accounts.

The Board may suggest amendments / additions to the format.

2.7 Cooling Period:

The units considered for OTS or Compromise Settlement shall not be considered for any additional loan assistance by the Corporation for a period of 05 years from the date of payment of the settlement amount and subject to the approval of the Board of Directors.

2.8 Amendments to the Policy

The policy shall be amended suitably to incorporate relevant changes as and when required with the approval of the Board of Directors.

3. One-Time/Compromise Settlement

Before considering a loan for write off, the Corporation officials shall make concerted efforts for negotiating a one-time/compromise settlement with the borrower. One-time settlement refers to a negotiated settlement where a borrower offers to pay and the Corporation agrees to accept certain amount in full and final settlement of its dues. This amount is less than the total amount due to the Corporation under the relative loan contract. The Corporation officials frame a settlement scheme based on the circumstances necessitating its consideration to protect the Corporation's interest to the maximum possible extent.

In order to reduce our administrative overheads and loan account expenses on theses chronic and sticky NPA accounts, the Corporation has formulated two settlement schemes for out of court settlement.

1. EDC Loan Compromise Settlement Guidelines (ELCSG)

2. Special OTS scheme for loan portfolio with disbursement upto Rs.15.00 lakh

4. EDC Loan Compromise Settlement Guidelines (ELCSG)

4.1 Who is eligible?

- Accounts categorized as doubtful or loss as on 31/3/2025.
- Cases before Courts/ Tribunals/ District Recovery Officer/ BIFR/ Any other Courts, Forums and Local Authorities subject to filing of consent terms and obtaining consent decree in the matter.
- In case where the Corporation is of the opinion that it will be in the interest of the Corporation to settle the account justifying the reasons thereof

4.2 Who is not eligible?

- Standard & sub-standard assets
- Willful defaulters, fraud and malfeasance (evil doing). The definition of willful defaults, as given by RBI will broadly cover the following:
 - Deliberate non-payment of dues despite adequate cash flow and good net worth
 - Improper utilization of funds to the detriment of the defaulting unit
 - Assets financed have either not been purchased or have been sold and proceeds have been mutualized
 - Misrepresentation/falsification of records
 - Disposal/removal of securities without Corporations knowledge
 - Profit making concerns as evident from the financial statements in respect of accounts

4.3 Compromise Settlement Guidelines:

1) Categorisation of assets:

The categorisation is as below:

CLASS – A: Loans disbursed prior to 01/04/2010 – (15 years)

(Including cases wherein main / collateral security is disposed off and action has been initiated for balance recovery)

CLASS – B: Loans disbursed between 01/04/2010 & 31/03/2020 - (5 to 15 yrs)

CLASS – C: Loans disbursed between 01/04/2020 and 31/03/2022 - (3 to 5 years)

The cases have been categorised depending upon the age of the loan and the loan amount disbursed. For the purpose of determining the age of loan, the date of last disbursement will be taken into account. Where borrower has more than one account, the date of last disbursement in the last account will be taken into consideration while determining the sub-categorisation of the assets. The amount of loan disbursed will mean the total amount disbursed to multiple accounts.

2) **Assets belonging to doubtful & loss category as on 31/03/2025 and disbursed prior to 01/04/2022.**

The Compromise Settlement will be decided on the basis of outstanding liabilities as on previous quarter of interest at the time of applying for Compromise Settlement. Say, if Compromise Settlement is being considered in the month of February, then the account position with interest debited upto 31st December will be considered.

3) **Bench Mark for Cases where loan disbursed is more than Rs.10.00 lakhs**

(A) Matrix I:

- i) CLASS “A” – Loan disbursed prior to 01/04/2010 (including cases where main security disposed and proceeding for balance recovery irrespective of age of account)

Category of asset as of the end of previous financial year	Bench Mark for Compromise Settlement amount
Doubtful – I, Doubtful-II, Doubtful-III & Loss	OSP + Int. tax + Expenses

- ii) CLASS “B” – Loans disbursed between 01/04/2010 and 31/03/2020

Category of asset as of the end of previous financial year	Bench Mark for Compromise Settlement amount
Doubtful – I, Doubtful-II, Doubtful-III & Loss	OSP + 50% OSI + Int. tax + Expenses

- iii) CLASS “C” – Loans disbursed between 01/04/2020 and 31/03/2022

Category of asset as of the end of previous financial year	Bench Mark for Compromise Settlement amount
Doubtful – I	OSP + 90% OSI + Int. tax + Expenses
Doubtful-II & Doubtful-III	OSP + 60% OSI + Int. tax + Expenses
Loss	OSP + 50% OSI + Int. tax + Expenses

OSP – Outstanding Principal

OSI – Outstanding Simple Interest

(B) Settlement amount:

The amount, thus calculated will be highest amount of the following for the cases other than main security disposed and proceeding for balance recovery.

- a. Calculated amount as per Matrix I (Bench mark)
- b. Financial capability of the borrower. This must be as per the information furnished at the time of filling the application form for COMPROMISE SETTLEMENT and verified by the Recovery Officer to ensure the financial capability of the borrower.
- c. Highest valid bid received where the assets are attached, if any.
- d. Settlement offer submitted by the party.
- e. Amount calculated as per RBI guidelines vide Circular DBOD.No.FIC.5/01-02.00/2005-06 dt. 22/11/2005.
- f. Amount received from auctions

(C) Final Settlement Amount:

The settlement amount arrived at - 3 (B) shall then be compared with the valuation of tangible assets i.e. assets which are mortgaged/hypothecated to the Corporation as main security and collateral security and the final Compromise Settlement amount shall then be as under:

1. If the valuation is more than 200% of the calculated amount, the final settlement amount shall be highest of principal balance plus 100% outstanding simple interest and amounts calculated as per- 3(B).
2. If the valuation is more than 125% of the calculated amount, the settlement amount shall be outstanding principal + 125% of interest component calculated as per - 3 (B) subject to maximum of OSP + OSI + Expenses.
3. If valuation is in the range of 75% to 125% of the calculated amount, the settlement amount shall be as per - 3 (B).
4. If valuation is less than 75% of the calculated amount, the settlement amount shall be Outstanding Principal + 50% of the interest component calculated as per 3 (B).
5. For the cases where main security has been disposed and proceeding for balance

6. recovery, the final settlement amount shall be highest amount between the amount calculated as per - 3 (A) + 10% of interest component calculated as per RBI guidelines and offer submitted by the borrower /guarantor.

Further the criterias namely valuation of assets, highest valid bid received and settlement offer submitted by the party to be considered for comparison to work out settlement amount shall not be earlier than six months prior to the date of application under the Scheme.

However no refund to be made in case the amount received from auctions is more than above worked out final settlement amount.

(D) Matrix II:

(Applicable for loan accounts with substantial payments equivalent to 1.25 times the amount disbursed)

Category of asset as of the end of previous financial year	Bench Mark for Compromise Settlement amount
Doubtful – I, Doubtful II, Doubtful-III & Loss	AD + SI (at documentary rate or 15.5% whichever is lower since inception) + int. tax + expenses – receipt in account since inception subject to principal balance irrespective of valuation of the assets

AD – Amount disbursed SI – Simple Interest

Settlement amount will be lower of the 5 (i, ii, iii) and 5 (iv) shown above.

- 4) As regards BIFR cases, the settlement amount shall be as per the consensus reached among all financial institutions (parri passu charge holders). However, sacrifice over and above stipulated guidelines, the same shall be with the approval of the Board.
- 5) Compromise Settlement guidelines for the Loans disbursed upto Rs.10.00 lakhs: Settlement Formula - amount (As per RBI guidelines vide circular DBOD.No.FID.FIC.5/01-02.00/2005-06 dt. 22/11/05).

(a) NPAs classified as Doubtful or Loss as on March 31, 2025

The minimum amount that shall be recovered under the revised guidelines of one time settlement of NPAs classified as doubtful or loss as on March 31, 2025 would be 100% of

the outstanding balance in the account as on the date on which the account was categorized as doubtful NPAs.

- (b) NPAs classified as sub-standard as on March 31, 2025 which became doubtful or loss subsequently.

The minimum amount that shall be recovered in respect of NPAs classified as sub-standard as on March 31, 2025 which became doubtful or loss subsequently would be 100% of outstanding balance in the account as on the date on which the account was categorized as doubtful NPAs, plus interest at existing rate applicable for loans below Rs.10.00 lakhs from date of doubtful NPA till the date of final payment.

- (c) As regards the cases wherein the main security was attached and disposed off, the settlement amount shall be principal balance as on date of attachment + interest tax + expenses or the amount as per the settlement formula at 5 (a) or 5 (b) whichever is less.”

- (d) As regards the case wherein the valuation of the main security is less than 50% of the principal balance the settlement amount in such cases shall be principal balance plus miscellaneous expenses or settlement amount as per RBI guidelines whichever is less.

- (e) As regards the cases where the promoter/s expired or suffering from terminal disease/in capacitance and fulfilling the following conditions, Managing Director and Chairman are authorised to approve waiver of principal balance partly or fully up to Rs. 1.00 Lakh in addition to accrued interest in their account:

- i) The loan account is more than 8 years old.
- ii) The loan account/s wherein the main security is totally disposed OR in cases where the main security is not disposed, at least amount equal to market value of the assets will be recovered.
- iii) The surviving promoter/s/guarantor/legal heirs are not in a position to pay the dues partly or fully due to weak financial position.

5) Application fees & down payment:

The cases will be registered by charging following application fees and down payments.

The applicants have to submit application for COMPROMISE SETTLEMENT in the prescribed format attached herewith:

Sr. No.	Type	Application Fees	Down payment (non refundable)
1.	Disbursement upto Rs.2.00 lakhs	Rs.500.00	5% of OSP
2.	Disbursement from Rs.2.00 lakhs to Rs.10.00 lakhs	Rs.1000.00	5% of OSP
3.	Disbursement from Rs.10.00 lakhs to Rs.50.00 lakhs	Rs.2000.00	10% of OSP
4.	Disbursement above Rs.50.00 lakhs	Rs.5000.00	10% of OSP

6) Mode of Compromise Settlement payment:

- a. The down payment made by the borrower along with the application will be adjusted towards final settlement amount.
- b. The entire settlement amount should be paid within 30 days from date of issue of settlement letter. In such cases no interest will be charged on the settlement amount.
- c. If for some reason the promoter makes specific request for extension of time, then at least 25% of Compromise Settlement amount should be paid within 30 days and the balance amount shall be paid within further period of 6 months in suitable monthly installments. In such cases interest @14% p.a. on simple interest basis to be charged from the date of issue of settlement letter.
- d. At the expiry of the first extension, if party requests for further extension of time, then at least 50% of Compromise Settlement amount should be paid within 6 months and the balance Compromise Settlement amount shall be paid within further period of 3 months in suitable monthly installments (i.e. total period of 10 months from the date of settlement letter). Further in such cases the borrower shall have to pay interest @14.5% p.a. on the balance amount for further extended period.
- e. At the expiry of second extension the Corporation may extend time beyond 10 months if at least 75% of settlement amount is paid and subject to condition that the entire amount is paid within one year from issue of original offer. For extended period beyond 10 months the borrower shall have to pay interest @15% p.a. on the balance amount for further extended period.
- f. In case default in settling in the account with stipulated time/extended time, the

- g. Compromise Settlement offer should be withdrawn and the amount paid under Compromise Settlement to be adjusted against outstanding dues. Suitable conditions to be incorporated in the offer.
- h. In case of attached units where Compromise Settlement is sanctioned and requiring extension of time shall have to pay minimum 30% of the Compromise Settlement amount immediately after Compromise Settlement offer but not later than 30 days from the offer and take possession of the assets, if desired. The balance Compromise Settlement amount will carry interest at the stipulated rate of interest in such cases from the date of taking possession or from the date of extension of offer as the case may be in terms of the above said schedule of payment for extension.
- i. The above extensions shall be approved by Managing Director.

7) **Competent Authority:**

The loan accounts above Rs.15.00 lakhs shall be approved by the Board. The loan accounts below Rs.15.00 lakhs shall be approved by the Committee of General Managers headed by Managing Director and consists of Joint Managing Director, General Managers and Heads of Department. The loan accounts approved by the committee shall be reported to the Board quarterly.

8) **Assumptions – Cut-off date for attached cases:**

- a) For attached/auctioned accounts and cases under Section 30/31 of SFC's Act, the cut-off date for working out settlement amount as per the matrix I & II will be the subsequent quarter from the date of last attachment.
- b) Any receipt in the account after the last attachment including sales proceeds, if any will be deducted from the settlement amount.

9) **Other conditions:**

- i) Conditionally refundable security deposit if any will not be refunded to the borrower.
- ii) In case subsidy from State Govt/Central Govt. is made available after sanction of Compromise Settlement offer, then the sacrifice in simple interest made by EDC be

- iii) recovered from such subsidy amount.
 - iv) In the event of default in payment of Compromise Settlement amount as per the schedule, the unit shall also have to pay penal/compound interest in the defaulted amount for the defaulted period.
 - v) EDC reserves the right to review its decision of Compromise Settlement in the event of any default in payment of Compromise Settlement dues at any stage and can cancel the Compromise Settlement arrangement.
 - vi) In the event it comes to the notice of EDC that the guarantors/Borrower have submitted any false information pertaining to valuation of their networth/ collateral security, balance sheet or have concealed any other information from EDC which could have a bearing on the Compromise Settlement decision, then irrespective of the payments made in Compromise Settlement, the Compromise Settlement arrangement would be cancelled outright and all payments under Compromise Settlement shall be adjusted against original loan dues and coercive action for recovery shall be taken.
 - vii) The Compromise Settlement arrangement shall be for settlement of loan dues of EDC only. The Borrower shall have to settle on its own the loan dues or any other dues (if any) of other institutions/banks/authorities.
 - viii) The concerned unit shall have to pay valuation fees on actuals before compromise settlement offer.
 - ix) These guidelines shall be applicable only to fresh settlement cases.
- 10) These guidelines shall be applicable to all types of loans except CMRY/GTEGP and Personal Loans.
- 11) The right to reject any application without assigning reason shall be entirely at the discretion of EDC Ltd.
- 12) Any deviations under the guidelines shall be subject to Government approval.

10. Special One Time Settlement Scheme for term loans upto Rs.15.00 lakh

The Corporation has constituted a Special One Time Settlement Scheme for all term loan accounts wherein principal outstanding is upto Rs.15.00 lakhs.

Such cases will be placed before the Committee of General Managers / Screening Committee for settlement which are categorized as follows for scrutiny:

1	Loans disbursed (<i>More than 10 years to 15 years</i>)	The Corporation will follow the existing ELCSG Guidelines
2	Loans disbursed (<i>More than 15 years and upto 20 years</i>)	The Corporation will recover the entire principal amount which is disbursed including the total amount received in the past from all the sources towards principal, interest, sale proceeds, OTS down payment, etc.
3	Loans disbursed (<i>More than 20 years and upto 25 years</i>)	The Corporation will recover 75% of the principal amount which is disbursed including the total amount received in the past from all the sources towards principal, interest, sale proceeds, OTS down payment, etc.
4	Loans disbursed (<i>More than 25 years</i>)	The Corporation will recover 50% of the principal amount which is disbursed including the total amount received in the past from all the sources towards principal, interest, sale proceeds, OTS down payment, etc.

The special One Time Settlement Scheme also decided to identify the loan accounts in following categories.

- Category – A: Term loan accounts wherein the total amount received in their account is more than the OTS amount calculated as per the guidelines laid down in the special OTS.
- Category – B: Term loan accounts wherein the total amount received in their account is less than the OTS amount calculated as per the guidelines laid down in the special OTS and the amount receivable as per the special OTS scheme formula is less than Rs. 50,000.00 or cases wherein there is death of promoter.

Further, the Committee decided to identify and close above loan accounts without any request specific request from the borrower. However, the committee decided not to issue No Dues Certificate to the borrower.

To issue No Dues Certificate, the minimum amount to be recovered is as under:

Amt. Received / Disbursed	Amount to be paid to issue No Dues Certificate
More than 300%	NIL
200% to 300%	10% of (principal outstanding + other expenses if any)
150% to 200%	15% of (principal outstanding + other expenses if any)
100% to 150%	20% of (principal outstanding + other expenses if any)
Less than 100%	25% of (principal outstanding + other expenses if any)
