

Special Meeting of J&K SLBC

Agenda & Background Papers

Date : 23rd September 2014 (Tuesday)
Venue : J&K Bank, Zonal Office, Rail Head Complex,
Jammu.

Time : 10:30 AM

**Presided
Over by** : Mr. Mushtaq Ahmad
Chairman & CEO J&K Bank.



The Jammu & Kashmir Bank Limited

Lead Bank Department, Corporate Headquarters,
Maulana Azad Road, Srinagar, Kashmir-190 001
Tele/Fax: 0194-2481925, 8803004095,8803004089
E-mail:convenorbank@jkbmail.com
Visit us at: www.jkbank.org

GENERAL INFORMATION	
JAMMU AND KASHMIR STATE	
Convenors of J&K SLBC	The J & K Bank
Total Area of the State	2,22,236 sq. kms. (As per Census 2011) ... <i>Tentative</i> The State is bounded on the South by Himachal Pradesh and the Punjab, on the South-West and West by Pakistan, on the North by China, Afghanistan and a little of Tajikistan, and on the East by Chinese Tibet. The State ranks 6th in area and 17th in population among the States and Union Territories of India.
Capital	Summer (May to October): SRINAGAR Winter (November to April): JAMMU
Population	1,25,48,926 (Census 2011) ... <i>Tentative</i>
Urban Population (%age)	27.21% (Census 2011) ... <i>Tentative</i>
Rural Population (%age)	72.79% (Census 2011) ... <i>Tentative</i>
Sex Ratio (Females per 1000 males)	883 (as per Census 2011) ... <i>Tentative</i>
B.P.L. Population (%age)	21.63 (As per survey 2007-08)
Languages	Kashmiri, Urdu, Gojri, Pahadi, Dogri & Ladakhi.
Literacy Rate (%)	68.74 (Census 2011) ... <i>Tentative</i>
Un-employment rate	5.2% (2005-06)
Crops in J&K	Rice, Maize and Wheat. J&K is largest producer of Apple, Walnut, Almond and many other temperate dry and fresh fruits.
Average land holding	0.67 hectares (Agri. Census – 2000-01)
Total area under Forests	20230 Sq. Kms (19.95% of total Geographical area of J&K)

Total Districts in J&K State = 22	<u>Kashmir Division</u> 1. Srinagar 2. Ganderbal 3. Budgam 4. Baramulla 5. Bandipora 6. Kupwara 7. Anantnag 8. Kulgam 9. Pulwama 10. Shopian	<u>Jammu Division</u> 1. Jammu 2. Samba 3. Udhampur 4. Reasi 5. Kathua 6. Doda 7. Ramban 8. Kishtwar 9. Rajouri 10. Poonch	<u>Ladakh Division</u> 1. Leh 2. Kargil				
Total No. of Blocks in J&K State = 143	<u>Kashmir Division</u> 59	<u>Jammu Division</u> 66	<u>Ladakh Division</u> 18				
Lead Banks in J&K State	<p>1) <u>J&K Bank</u> 12 districts, All 10 districts of Kashmir division and District Rajouri and District Poonch of Jammu Division;</p> <p>2) <u>State Bank of India</u> 10 districts 8 districts of Jammu division, viz. Jammu, Samba, Udhampur, Reasi, Kathua, Doda, Ramban & Kishtwar and the two districts of Leh Division</p>						
Banking Sector Performance As on 30 th June 2014		Pub. Sector	Private Sector	RRBs	Coop. Banks	FIs	Total
	Banks	22	7	2	10	1	42
	Branches	439	811	344	255	14	1863
(Amount in Crores of Rs.)	TOTAL DEPOSITS	TOTAL ADVANCES		C.D. RATIO	Advances to Priority sector	Share of P.S. Adv. To Total Adv.	
	71, 520.05	33, 238.22		46.47	16, 972.71	51.06%	

Position of total advances region wise in the J&K State

<u>S No</u>	<u>Region</u>	<u>Amount of Advances in Crores</u>
1	Kashmir Region	17332.74
2	Jammu Region	12286.64
3	Ladhakh Region	586.23
4	Projects implemented in State & Financed by outside B/Us.	3032.61
		33238.22

J&K STATE LEVEL BANKERS' COMMITTEE

KEY INDICATORS AS ON 30th JUNE, 2014

S.No.	Particulars	Consolidated figures of all Banks			
		As on March of the Last Financial Year 2013-14	As on June of the Last Financial Year 2013-14	As on June of Current Financial Year 2014-15	Bench Mark/ %age growth
		March, 2014	June, 2013	June, 2014	
1	Deposits	72214.22	64626.83	71520.05	
2	Credit	32196.43	25461.11	33238.22	
	Total Business	104410.65	90087.94	104758.27	
	CD Ratio (%)	44.58%	39.40%	46.47%	60%
3	Priority Sector Advances (PSA)	16545.46	14704.27	16972.71	
	Share of PSA in Total Advances (%)	51.39	57.75	51.06	40%
(i)	Agriculture Advances	4896.58	3846.81	5192.39	
	Share of Agriculture Advances in total advances (%)	15.21	15.11	15.62	18%
	Share of Agriculture Advances in PSA (%)	29.59	26.16	30.59	
(ii)	Micro & Small Enterprises Advances	8836.68	7880.08	8935.90	
	Share of MSE in total Advances (%)	27.45	30.95	26.88	
	Share of MSE in total PSA (%)	53.41	53.59	52.65	
(iii)	Education Advances	257.89	245.15	261.32	
	Share of Education Advances in total Advances (%)	0.80	0.96	0.79	
	Share of Education Advances in total PSA (%)	1.56	1.67	1.54	
(iv)	Housing Advances	1955.10	2028.30	1993.77	
	Share of Housing Advances in total Advances (%)	6.07	7.97	6.00	
	Share of Housing Advances in total PSA (%)	11.82	13.79	11.75	
(v)	Other Sector Advances	599.21	703.93	589.33	
	Share of Other Sector in total Advances (%)	1.86	2.76	1.77	
	Share of Other Sector in total PSA (%)	3.62	4.79	3.47	
4	Advances to Weaker Sections (WS)	4391.89	4314.61	4683.73	
	Share of WS Advances in total Advances (%)	13.64	16.95	14.09	10%
	Share of WS Advances in PSA (%)	26.54	29.34	27.60	
5	DRI Advances	12.54	7.90	13.30	

	Share of DRI Advances in total Advances (%)	0.04	0.03	0.04	1%
	Share of DRI Advances in PSA (%)	0.08	0.05	0.08	
6	Advances to Women	1370.12	1502.30	1359.02	
	Share of Advances to Women in total Advances (%)	4.26	5.90	4.09	5%
	Share of Advances to Women in PSA (%)	8.28	10.22	8.01	
7	Non-Priority Sector Advances (NPSA)	15650.97	10756.84	16265.51	
	Share of NPSA in Total Advances (%)	48.61	42.25	48.94	
(i)	Heavy Industries	1504.41	699.27	1563.25	
	Share of Heavy Industries in total advances (%)	4.67	2.75	4.70	
	Share of Heavy Industries in NPSA (%)	9.61	6.50	9.61	
(ii)	Medium Industries	587.21	376.89	581.93	
	Share of Medium Industries in total advances (%)	1.82	1.48	1.75	
	Share of Medium Industries in NPSA (%)	3.75	3.50	3.58	
(iii)	Education Advances	15.17	16.27	12.64	
	Share of Education Advances in total Advances (%)	0.05	0.06	0.04	
	Share of Education Advances in total NPSA (%)	0.10	0.15	0.08	
(iv)	Housing Advances	798.61	1078.74	811.31	
	Share of Housing Advances in total Advances (%)	2.48	4.24	2.44	
	Share of Housing Advances in total NPSA (%)	5.10	10.03	4.99	
(v)	Other Sector Advances	12745.57	8585.67	13296.38	
	Share of Other Sector Adv. in total Advances (%)	39.59	33.72	40.00	
	Share of Other Sector Adv. in total NPSA (%)	81.44	79.82	81.75	
8	Total Education Advances (Priority + Non-Priority)	273.06	261.42	273.96	
	Share of Total Education Adv. in Total Advances (%)	0.85	1.03	0.82	
9	Total Housing Advances (Priority + Non-Priority)	2753.71	3107.04	2805.08	
	Share of Total Housing Adv. in Total Advances (%)	8.55	12.20	8.44	
10	Total Other Sector Advances (Priority + Non-Priority)	13344.78	9289.60	13885.71	
	Share of Total Other Sector Adv. in Total Advances (%)	41.45	36.49	41.78	

Preface

A devastating natural calamity in the shape of floods/tsunami has hit the state of Jammu & Kashmir in the 1st week of September 2014, severally destroying the economic pursuits/businesses in most parts of the state. The catastrophe caused therefore necessitates rehabilitation, revival and relief to the affected peoples.

From the SLBC perspective, a special rehabilitation/revival/restructuring of the loans to the affected borrowers has been formulated.

The same is enclosed as agenda for the meeting of SLBC, which has to be discussed and approved by the SLBC.

Some special concessions for the borrowers viz-a-viz banks operating in the state has been sought, which has to be recommended to Reserve Bank of India and to Central/State Government.

The agenda of the Special SLBC Meeting proposed to be discussed is as under:-

Agenda Item No. 1

• **SPECIAL REHABILITATION/ REVIVAL AND RELIEF PACKAGE FOR THE BORROWERS AFFECTED BY NATURAL CALAMITY IN J & K STATE**

Natural calamity which hit the State of J&K in the 1st week of September 2014 has severely impacted economic pursuits of the people at large. The devastation caused necessitates rehabilitation/ revival of the affected people. Accordingly, a special rehabilitation/ revival package has been formulated for all affected borrowers identified by the Banks. The facility wise Package is appended for perusal and approval:

Eligible Areas As notified by the Govt of J&K State.

Eligible Borrowers: Borrowers affected by Natural calamity in the State of J&K.

Eligible Loans Outstanding loans as on 01-09-2014 which were standard assets as on 30-06-2014

1. NATURE OF FACILITY TERM LOANS

a) Moratorium

Moratorium in repayment of principal installments and interest for a period of 2 years w.e.f 01-09-14 in respect of the existing term loan.

b) Converted Term Loans:

The principal demand of the existing term loan along with interest during the period of moratorium of 2 years shall be funded by way of additional term loan (Converted Loan).

c) Repayment

Repayment for converted term loan along with the existing residual term loan by the borrower after the moratorium period shall be made generally within a period between 3-5 years. However, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.

It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

d) Fresh Facility

Need based fresh facility shall be provided upon proper assessment for repairs/ renovation/ replacement of damaged assets.

e) Rate of Interest:

- I. Rate of Interest on converted term loan shall be Base Rate with monthly rests.
- II. Rate of interest on existing remaining term loan (after conversion) and fresh facility shall be similar to the rate charged to existing Term Loan.

f) Security:

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

g) Appropriation of insurance claims

Insurance claims to be received shall be first appropriated for adjustment of the converted loans and balance, if any, shall be adjusted to the existing term loan accounts.

2. NATURE OF FACILITY: WORKING CAPITAL

I. Conversion in to WCTL

Balance outstanding in excess of value of the primary security available shall be converted into WCTL.

II. Moratorium

WCTL so converted shall have moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest.

III. Repayment

Repayment for WCTL shall commence after expiry of moratorium period. The converted WCTL shall have repayment period generally between 3-5 years; however, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.

It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Rate of Interest for WCTL:

Base Rate with monthly rests.

V. Treatment to regular portion

The regular portion of the limit shall be made available to the borrower as per the existing terms and condition.

VI. Additional Facility

As an immediate relief, in addition to regular portion of existing limit, the borrower shall be provided additional Working Capital facility to the tune of 50% of WCTL so converted. The facility shall have interest rate applicable as per the existing terms. The working capital limits shall be taken up for review/ reassessment after a period of 6 months for ascertaining need based WC requirements.

VII. Security

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

VIII. Appropriation of Insurance Claims

Insurance claims to be received shall be appropriated towards adjustment of WCTL. Claim amount over and above the outstanding in WCTL shall be passed on to the beneficiary.

3) LOANS FOR AGRICULTURE AND ALLIED ACTIVITIES

Identification of loss

Identification of loss shall be done by the Govt. and certificate to the extent of loss/ damage caused to the affected area along with the affected crops shall be issued by District Collector or any other authority as may be notified by the Govt. Based on this certificate banks shall identify the affected borrowers for extending relief under the package.

A) NATURE OF FACILITY SHORT TERM CROP LOAN

I. Conversion into Term Loan

The short term crop loan to the extent of damage as assessed by the Govt. with interest due upto 31-03.2016 shall be converted into term loan.

II. Moratorium

Moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest

III. Repayment;

Repayment for converted term loan shall commence after expiry of moratorium period. The converted term loans shall have repayment period generally between 3-5 years; however, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.

It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Rate of Interest

The rate of interest on converted term loans shall be Base Rate with annual rests.

V. Fresh Loan

Fresh short term crop loan shall be extended to the eligible farmers' equivalent to the amount converted into term loan.

VI. Repayment:

As per KCC guidelines.

VII. Rate of Interest:

As per KCC guidelines.

VIII. Security

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted.

IX. Appropriation of Insurance Claims

Insurance claims to be received shall be appropriated towards adjustment of converted term loan. Claim amount over and above the outstanding in converted term loan shall be passed on to the beneficiary.

B) AGRICULTURE TERM LOAN

I. Moratorium

Moratorium period of 24 months w.e.f 01.09.2014 both in respect of repayment of principal and interest.

II. Converted Term Loans:

The principal demand of the existing term loan along with interest during the period of moratorium of 2 years shall be funded by way of additional term loan (Converted Loan).

III. Repayment

Repayment for converted term loan along with the existing residual term loan by the borrower after the moratorium period shall be made generally within a period between 3-5 years. However, where the damage arising out of the calamity is very severe the repayment period may be extended upto 7 years. In extreme case of hardship repayment period could be extended upto a maximum period of 10 years.

It shall be ensured that the total tenor of the outstanding loans post restructuring does not exceed 10 years.

IV. Fresh Facility

Need based fresh facility for replacement/repair/renovation of the damaged assets shall be provided upon proper assessment.

V. Rate of Interest

- a. Rate of Interest on converted term loan shall be Base Rate with annual rests.
- b. Rate of interest on existing remaining term loan (after conversion) and fresh facility shall be similar to the rate charged to existing Term Loan.

VI. Security

Existing and fresh facility shall be secured by way of charge on existing securities and assets to be created afresh. No additional collateral security shall be insisted upon.

VII. Insurance

Insurance claims to be received shall be first appropriated for adjustment of the converted loans and balance, if any, shall be adjusted to the existing term loan accounts.

4) OTHER TERMS OF THE PACKAGE.

- a. No penal interest/ default interest shall be charged to the affected borrowers covered under the package.

- b. No processing charges to be recovered in case of fresh advances granted to the affected borrowers.
- c. Need based credit facilities shall be extended to the affected persons/ business establishments presently not availing any credit facility from banking system. The facility shall be extended on softer terms i.e., relaxation in margin, security etc
- d. All other concessions/ relief measures allowed by RBI in terms of circular no. RPCD.No.FSD.BC 07/05.04.02/2014-15 dated July 1, 2014 shall also be applicable.
- e. In case of exigency arising on account of implementation of the package SLBC/ subcommittee of SLBC is authorized to take a decision.

5) SPECIAL DISPENSATION REQUIRED

The package discussed hereinabove is necessitated on account of unprecedented and devastating floods across J&K State thus causing huge economic loss across all sectors of economy. This requires special rehabilitation and revival package to be implemented by banks operating in J&K State and hence package needs exemption in respect of following:-

- 1) Relaxations/ concessions and reliefs under package may not be treated as restructuring for the purpose of provisioning including DIFV and disclosure as required under Master Circular of RBI on Prudential Norms on IRAC and Provisioning pertaining to IRAC.
- 2) Asset Classification status prevalent as on 30.06.2014 to be retained till implementation of the package in respect of loan accounts of affected borrowers.
- 3) As onset of winter is approaching implementation of package will get adversely affected, as such, implementation period to be extended upto 31.03.2015 as against 90 days prescribed by RBI.
- 4) Moratorium period of 24 months w.e.f 01.09.2014 in respect of repayment of principal and interest dues on all kinds of loans (outstanding as on 01.09.2014) of affected borrowers.
- 5) Refinance to the banks on softer terms against loans affected by natural calamity be extended with repayment over a period of 10 years.
- 6) 100% debt relief by State/ Central Govt in respect of business loans up to maximum limit of Rs.3.00 lacs or balance outstanding, whichever is less
- 7) 100% Interest subsidy from Govt of India on the existing loans to the affected borrowers for a minimum period of 3 years.
- 8) 3% interest subvention from Govt of India for a minimum period of three years on all fresh/ additional loans/ facilities to existing as well as fresh borrowers. This will include loan for renovation/ repairs and replacement of damaged assets/ machinery/ equipments and fresh Working Facilities/ crop loans for restarting the business/ productive activity.
- 9) Adequate compensation or interest free soft loans from Govt of India be extended to business establishments to augment their capital requirements repayable over a period of 10 years after initial moratorium of 5 years.

- 10) Guarantee and annual fee for Guarantee cover from CGTMSE on the funding by the Banks upto limit of Rs. 1.00 crores to the affected eligible borrowers shall be borne by the Government of India/State Government for a period of 5 years.

6. Resolution:

A. SLBC is requested to adopt the Special Rehabilitation/ Revival and Relief Package for the Borrowers Affected by Natural Calamity in J & K State as discussed herein above for implementation by the Banks and recommend to Reserve Bank of India special dispensation to the effect that:

1. Relaxations/ concessions and reliefs under package may not be treated as restructuring for the purpose of provisioning including DIFV and disclosure as required under Master Circular of RBI on Prudential Norms on IRAC and Provisioning pertaining to IRAC.
2. Asset Classification status prevalent as on 30.06.2014 to be retained till implementation of the package in respect of loan accounts of affected borrowers.
3. As onset of winter is approaching implementation of package will get adversely affected, as such, implementation period to be extended upto 31.03.2015 as against 90 days prescribed by RBI.
4. Moratorium period of 24 months w.e.f 01.09.2014 in respect of repayment of principal and interest dues on all kinds of loans (outstanding as on 01.09.2014) of affected borrowers.

B. SLBC is also requested to approve and recommend to Central/State Govt. that:

1. Refinance to the banks on softer terms against loans affected by natural calamity be extended with repayment over a period of 10 years.
2. 100% debt relief by State/ Central Govt in respect of business loans up to maximum limit of Rs.3.00 lacs or balance outstanding, whichever is less
3. 100% Interest subsidy from Govt of India on the existing loans to the affected borrowers for a minimum period of 3 years.
4. 3% interest subvention from Govt of India for a minimum period of three years on all fresh/ additional loans/ facilities to existing as well as fresh borrowers. This will include loan for renovation/ repairs and replacement of damaged assets/ machinery/ equipments and fresh Working Facilities/ crop loans for restarting the business/ productive activity.
5. Adequate compensation or interest free soft loans from Govt of India be extended to business establishments to augment their capital requirements repayable over a period of 10 years after initial moratorium of 5 years.
6. Guarantee and annual fee for Guarantee cover from CGTMSE on the funding by the Banks upto limit of Rs. 1.00 crores to the affected eligible borrowers shall be borne by the Government of India/State Government for a period of 5 years.

Agenda Item No.2

❖ Settlement of Insurance Claims.

The ravaging and devastating flood have destroyed, devastated the Agriculture, Horticulture, Allied Activities, Trade, Services, Industry, Artisans, Houses, Vehicles (Commercial as well as Personal), tourism etc.

For ensuring relief all concerned Insurance Agencies, both Life as well as Non-Life, are required to settle the insurance claim of the affected claimants, who prefer their claims. SLBC is requested to recommend to Central/State Govt. for issuing necessary instructions to the Insurance Companies to:

- a. Constitute and depute special teams to the affected areas for completing the process of survey, identification of the assets to be compensated by these companies immediately.
- b. Complete the process of settlement of insurance claim with minimum possible formalities and within a time frame i.e. latest by 30th Nov 2014.

Agenda No. 3

Discretionary powers to Divisional/Zonal Managers/Heads for sanctioning the restructuring/rehabilitation packages.

SLBC advises that adequate powers for fresh loan sanctions and restructuring of existing loans are vested with the District/Zonal Managers of individual banks, so that these functionaries have not to seek fresh approval from their controlling offices. This special delegation of powers should remain vested with the concerned Branches/Regional/Zonal Managers for a period upto at least 31.03.2015. Individual banks may, at their own discretion, extend the time line for such discretionary powers.

Agenda Item No. 4

Constitution of Sub-committee

After the approval of the package and during the course of implementation of this package, if there is any clarification/modification required to be obtained from Reserve Bank of India and/or any Government agency, a sub-committee comprising of J&K Bank, State Bank of India and Punjab National Bank be constituted which shall be authorized to seek any clarification/modification from the concerned agencies.

Agenda Item No. 5

Any other issue with the permission of the house