

Recovery Policy of _____ Loan & Advances Sital Leasing & Finance Limited

**Duly approved & adopted by the Board of Director's vide
resolution dated 29th June, 2021**

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Chapter-I

Introduction:

The introduction of Income Recognition and Asset Classification (IRAC) norms by Reserve Bank of India has enabled objective categorization of asset quality of NBFCs. Transparency in disclosing asset quality has benefited many stake holders e.g., shareholders, depositors, regulators. It has also drawn attention of managements of NBFC's-NDSI/MFIs to the paramount emphasis to be given on monitoring asset quality on ongoing basis. IRAC has moved to a healthier platform and strengthened the NBFC industry in meeting challenges posed by changing situations, environment, national and international competition.

The Reserve Bank of India (RBI) vide Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Updated as on February 17, 2020) and vide Master Direction DNBR.PD.008/03.10.119/2016-17 dated February 17, 2020 has provide the guidelines that all assets classified as other than 'Standard' are to be termed as 'Non Performing Assets' (NPAs). Slippage from 'Standard' to 'Non Performing' has a double adverse impact. The first is that NBFC can't recognize income on such accounts. The second is that NBFC are required to make provisions on such accounts depending upon the period elapsed since its classification as 'NPA'.

RBI directives can be studied in detail in various Master Circulars/Directions issued from time to time by the RBI. This policy document on recovery of loans and advances outlines the guiding principles in respect of formulation of various products offered and terms and conditions governing the conduct of the account. It is expected that this document will impart greater transparency in dealing with the individual and corporate customers and create awareness among customers.

When a borrower is unable to repay a loan, the lending institution initiates a loan recovery process. RBI guidelines for loan recovery ensure that the process is beneficial to the lender while also respecting the borrower's legal rights and obligations. The ultimate objective is that the customer will get services they are rightfully entitled to receive without demand or any harassment.

Accordingly, In order to address this segment of advances portfolio in a systematic manner and provide clear guidelines to operational personnel to contain, monitor, recovery of such advances, we have formulated the document of '**Recovery Policy**', which is put in place before the Board of Directors of the company and duly implement the same.

Chapter-II

Company Profile

Sital Leasing & Finance Limited

(Hereinafter referred to as "SLFL" or / "the Company")

The company is incorporated under the Companies Act, 1956 having Corporate Identification Number (CIN) L65910HR1983PLC050169. The registered office of the company is located at 322, 3rd Floor, SS Plaza Commercial Complex, Mayfield, Garden, Sector-47, Gurgaon, Haryana -122001 and the Corporate office located at 16/121-122, Jain Bhawan, Faiz Road, Karol Bagh, New Delhi-110005.

The company has been incorporated on 10/10/1983. "SLFL" is a listed entity and duly listed on Metropolitan Stock Exchange of India Ltd (MSEI).

"SLFL" is a registered as Non-Banking Financial Institution having a valid license Registration No. B-14.02131 dated 21st Dec, 2001.

"SLFL" is categorized as Non-Deposit Taking Systematically Importance (NDSI) Non-Banking Financial Company. At Present, the RBI has classified as NBFC-ICC category.

(*As per RBIs notification, three categories of NBFC has been merged, these three categories of NBFC are Asset Finance Company (AFC), Loan Company and Investment Company. These three categories are merged into a new category called **NBFC-Investment and Credit Company (NBFC-ICC).**)

"SLFL" being a registered NBFC with RBI has been primarily engaged into (a) Investing in equity/securities of listed and unlisted companies and (b) Lending activities.

The Policy guidelines governing the process of Loan Recovery of lending activity of "SLFL" are brought out in the following chapters. The policy guidelines would be reviewed annually delineating the focus areas of the Company.

"SLFL" may gives loans against shares / liquid securities, promoter funding, personal loan, short/medium/long term corporate loans to SME and Mid-size corporate with or without security.

"SLFL" lending culture would be guided by the 'Fair Practice Code' as approved by the Board of Directors as also the approved Risk Policy and Know Your Customer (KYC) Policy.

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Chapter-III

Objectives

1. To reduce the Company's NPA level in absolute terms by preventing slippage of accounts and accelerating recoveries in the existing NPAs.
2. To take a pro-active approach in finding solutions which could involve restructuring of loans if intent of borrower is positive. Compromise solutions would be encouraged in certain situations, though the NBFC endeavor would remain recovery of 100% principal and interest dues when possible.
3. To update system of identification and reporting of accounts showing signs of slippage of 'NPA' category.
4. To provide directions to contain slippage to NPA category.

Chapter- IV

Assets Classification

The company shall after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization (if any), classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:-

- (i) Standard assets;
- (ii) Sub-standard assets;
- (iii) Doubtful assets; and
- (iv) Loss assets

"Standard asset" shall mean:

The asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business

"Sub-standard asset" shall mean:

- (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;

- (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms

"Doubtful asset" shall mean:

A term loan, or a lease asset, or a hire purchase asset, or any other asset, which remains a sub-standard asset for a period exceeding 18 months;

"Loss asset" shall mean:

- (a) an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Bank during the inspection of the applicable NBFC, to the extent it is not written off by the applicable NBFC; and
- (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.
- (c) A Loss Asset is one where loss has been identified by the Company or internal or external Auditors or the RBI Inspection, but the amount has not been written off. In other words, said asset is considered as unrealizable that its continuance as a bankable asset is not warranted, though there may be some salvage or recovery value. There should be a provision of 100% for loss assets.

"Non-Performing Asset" shall mean:

- (a) an asset, in respect of which, interest has remained overdue for a period of six months or more;
- (b) a term loan inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- (c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- (d) a bill which remains overdue for a period of six months or more;
- (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of six months or more;

- (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- (g) the lease rental and hire purchase installment, which has become overdue for a period of twelve months or more;
- (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset

Chapter-V

Monitoring of the NON Performing Assets

Following steps should be initiated once account has been identified as NPA:-

1. The borrower and the guarantor are vigorously followed up for recovery/regularization of the account in centre meetings or otherwise. In case no desired response is received, recovery notice to be served on borrower within 15 days followed by a legal notice through an advocate/Legal Advisor on the "SLFL" panel to the borrower and the guarantor within 30 days from the date of identification of the account as NPA.
2. In exceptional cases if there are genuine difficulties being faced by certain borrowers, their accounts may be rescheduled/restructured preferably prior to such loans becoming NPAs as per Board approval.
3. The position of recovery in NPA accounts should be reviewed on a monthly basis by the Recovery vertical and the position of recovery are placed before the Management on a monthly basis.
4. The System based asset classification shall be an ongoing exercise for both down-gradation and up-gradation of accounts. "SLFL" should ensure that the asset classification status is updated as part of day end process.
5. The position of recovery in NPA accounts should be reviewed on a monthly basis by the Recovery vertical and the position of recovery be placed before the Management on a monthly basis
6. Recoveries affected in NPA assets are first be appropriated towards principal.

Chapter-VI

Settlement /Compromise

The basic guidelines governing compromise settlements of NPAs are listed below.

1. A compromise should be negotiated settlement, which would ensure recovery of the dues to the maximum extent possible at minimum expense and within shortest possible timeframe.
2. While taking 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 cases a moderated view is to be taken.
3. Due weightage to be given to present activities of the borrower / guarantor, their present means etc.
4. While arriving at a negotiated settlement, the advantage available to the NBFC for prompt recycling of funds should be weighted in comparison to the likely recovery be following legal or other protracted course of action i.e. opportunity cost analysis be made.
5. The internal reporting system should ensure prompt reporting of all compromise proposals approved.
6. A compromise/settlement be made only if the account has been classified as loss assets. However, if there are any genuine reasons compromise/settlement be made in case of a Non Performing Assets account also.
7. While compromising in any account only interest amount be sacrificed and no relief be granted in principal amount. However, in deserving cases relief in principal amount also be considered.
8. Before entering into any compromise /settlement details of the assets of the borrower and guarantor be collected and the relief be granted if the NBFC deems fit.
9. In case of unsecured advances / loan parameter of Realizable value of security and marketability would be irrelevant. Hence, with respect to unsecured advances points / score for the parameter realizable value of security and marketability may be taken as NIL.

Chapter-VII

Settlement with Deviation

There may be some rare cases, where recovery of amount may not be possible. Similarly, some borrowers may need more than 12 months time for repayment. Few others may not be in a position to pay interest at all for installment payment or come forward to pay interest at a lower rate than applicable as per the policy. For all such deviations, cogent reasons to be recorded and such proposals be put up for clearance to the next higher authority than the delegate in whose power the proposal otherwise fall.

Chapter-VIII

Compromise and settlement helps in speedy recovery

With a view to accelerating the recovery process by way of compromise/settlement, delegated powers for write off of principal / waiver of interest / absorption of legal expenses of NPAs the approving authority shall be the Managing Director.

Chapter-IX

No relief either in principal or in interest should be considered in the loans and advances or any debt due from:

- i. The directors of the NBFC.
- ii. Any firm or company in whom any of the directors of the NBFCs is interested as partner / director or guarantor.
- iii. Any individual, if any of its directors is his partner or guarantor.

Chapter-X

Payment of Settlement Amount:

As far as possible, settlement amounts should be recovered in a 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 additional interest at Base Rate (simple) as desired or decided by the lender. However the sanctioning authority will have authority to waive the interest payment, if he deems fit.

Chapter-XI

Recovery Through Settlement In Fraud cases

Compromise / settlement can be negotiated and sanctioned in NPA accounts reported as fraud cases by treating those accounts as normal accounts, subject to following conditions:-

- a) The settlement / compromise shall be negotiated only after taking legal action and after initiating criminal proceedings and other applicable legal formalities and after obtaining clearance from MD.
- b) Investigating agency prosecuting the case should be informed in writing by Registered Post / Courier Services about the proposed settlement and if objections are not received within 30 days, settlement can be implemented.
- c) Post settlement, criminal case should not be withdrawn by Company. All the assistance required of called for by the investigating Agency or court to take the case to its logical conclusion should be promptly provided by the Company.
- d) After the settlement, files relating to the account should not be destroyed or sent to old records, but should be kept safely and properly till the conclusion of the criminal proceedings.

Chapter-XII

Norms in respect of writing off of balances in the borrowal accounts:

1. The accounts, balances of which are to be written off must have been classified as NPA and tenor of the loan has exceeded by 6 month.
2. Balances in the account are written off after, Review of the loan by the board of directors or Managing Director of the company about non possibility of recovery in the account. Such reports are scrutinized by the Managing Director himself thoroughly before recommending for write off.
3. Managing Director shall have authority to write off accounts with principal & interest outstanding up to Rs.15 lakhs. In respect of the accounts with outstanding above Rs.15 lakhs, the proposals will be placed before the Board. The exercise of writing off of the balance is carried out in consultation with the Accounts & Operations

Department at head Office and the aggregate amount to be written off be finalized with the approval of the Managing Director efforts for recovery be continued even after the balance in the account is written off.

In case of a suit filed account where the balance has been written off, suit proceedings/execution proceedings be continued. The court cost and other incidental charges for such recovery should be debited to Company's Profit & Loss Account.

Chapter-XIII

Technical write off:

The technical write off of NPA is resorted to for accounting purpose in case of "Loss assets" and 100% provisioning be made.

1. Such write off is essentially a prudent accounting measure to reduce the level of Gross NPA as such accounts are either fully provided for or substantial provision is already available.
2. Recovery efforts in such accounts should continue to be vigorously pursued by office management. Suits filed should be expedited to their logical conclusion by constant follow up with our advocates. Where decrees are obtained, execution proceedings should be launched without delay.
3. The fact of prudential write off should be kept in strict confidence and not disclosed to the borrowers under any circumstances.
4. SLFL management should keep a close watch on the borrowers' activities, their means, assets not charged, so as to mount pressure on them for recoveries.
5. Delegated powers for Technical Write Off will be Board of Directors or MD.

Chapter-XIV

Norms In Respect Of Filing Of Suits

1. Considering the long drawn process in the litigation and difficulties in executing the decrees action of filing of a suit.
2. A suit be filed only after making all the efforts such as personal contacts, demand

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notice from the branch or through advocate, there is no alternative but to file a suit for recovery.

3. Before filing of the suit it should be ensured that the loan documents are complete in all respects and that the suit is well within the limitation period. The position of documents be got examined from the NBFCs approved advocate.
4. Before filing of the suit final notice through NBFCs advocate be issued.
5. Suit filed through any Advocate in practice
6. Before filing of the suit information regarding movable/immovable assets of the borrower and the guarantor be ascertained and steps be taken for attachment of these properties before judgment.
7. In areas where "Lok Adalats" are arranged, branches should approach such Lok Adalats for speedy disposal of the cases. However, in case if the suit is to be compromised in the Lok Adalat, the compromise terms be got approved from the Board.

Chapter-XV

Waiver of Legal Action:

There may be accounts where borrowers and guarantors have died or are not traceable and their security / net worth is nil. In such cases legal action only added to cost and does not result in any recovery. With more and more stress on retail loans, there may arise some cases, where cost of legal action will be more than the loan granted. In all such cases discretion should be available for waiver of legal action.

- i. There may be accounts where outstanding amount (running ledger) is less than Rs.5 lakhs, in such cases if we decide to initiate legal action which is expensive one. In all such cases discretion should be available for waiver of legal action.
- ii. Powers for waiver of legal action for above accounts rest with the Managing Director

Chapter-XVI

Giving Notice to borrowers:

1. While telephonic reminders or visits by the SLFL's representatives to the borrowers place or residence will be used as loan follow up measures, the SLFL will not initiate any legal or other recovery measures including repossession of the security without giving due notice in writing.
2. First such notice will be sent immediately upon default by the borrower or when telephonic reminders or personal visits fail to yield result.
3. The first notice while giving details of the amount in default will give 15/30 days' time period for the borrower to clear the dues and regularize the account. In case the borrower fails to respond within the given period of time, a second notice will be issued explaining the consequences of non-payment and the borrower would be given a further period of 15 days to clear the dues.
4. The consequence of non-payment would include recall of entire loan amount forthwith. In the event of the failure of the borrower to respond within the time period, a legal notice will be issued after which the MFI will be free to initiate such recovery measures as it deems fit.

Chapter-XVII

General Guidelines:

All the members of the staff or any person authorized to represent their Company in collection would follow the guidelines set out below:-

1. The customer would be contacted ordinarily at the Office/Branch / during Center meetings / place of his / her choice and in the absence of any specified place, if two or more EMI installments are at default, at the place of his / her residence and if unavailable at his / her residence or at the place of business /occupation.
2. Identity and authority of persons authorized to represent Company for follow up and recovery of dues would be made known to the borrowers at the first instance. The

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Company staff or any person authorized to represent the Company in collection of dues or / and security repossession will identify himself / herself and display the authority letter issued by the SLFL upon request.

3. The Company would respect privacy of its borrowers.
4. The Company is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and Company will adopt civil manners for interaction with borrowers.
5. Normally the Company's representatives will contact the borrower between 9:00 hrs and 18:00 hrs, unless the special circumstance of her/his business or occupation requires the Company to contact at a different time.
6. Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
7. The Company will document the efforts made for the recovery of dues and gist of interactions with the borrowers.
8. All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
9. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls /visits to collect dues.

Chapter- XVIII

Amendments

The Board may amend the provisions of this Loan Policy from time to time. Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.

Chapter- XIX

Grievances / Complaints

All customers & borrowers or guarantors, current or past, can and should contact the company's Nodal officer for any grievances or complaints (including complaints against any policy, employee or representative, etc.) by following means:

Grievance Redressal Officer	:	Mr. Surendra Kumar Jain
Designation	:	Managing Director
Corp. Office	:	16/121-122, Jain Bhawan, Faiz Road, Karol Bagh, New Delhi-110005
Contact No.	:	9891709895
Email	:	sitalleasing83@gmail.com sitaleleasing@gmail.com
Website	:	www.sitalleasingfinance.com

**For and On Behalf of
SITAL LEASING AND FINANCE LIMITED**

**Surendra Kumar Jain
Managing Director
DIN: 00530035
Address: 555, Double Storey,
New Rajendra Nagar,
New Delhi-110060**

**Date: 29/06/2021
Place: New Delhi**