

## **POLICY ON COLLECTION OF DUES AND REPOSSESSION OF SECURITY**

### **1. INTRODUCTION**

- 1.1. Sarvagram Fincare Private Limited (“**Company**”), along with its affiliates, subsidiaries, associate companies, group companies (“**Group**”) is committed to carrying on its business in accordance with the highest ethical standards. This policy on collection of dues and repossession of security (“**Policy**”) is aimed at making the recovery process faster, so that Gross NPA level of the Company is maintained as per the risk appetite of the Company. It is essential for a sound NPA management system to have functionality allowing for quick identification of non-performing advances, their containment at minimum levels and ensuring that their impingement on financials of the Company is minimum.

### **2. OBJECTIVES AND PRINCIPLES**

- 2.1. The quality and performances of advances have a direct bearing on the profitability of the Company. Despite an efficient credit appraisal, disbursement and monitoring mechanism, problems can still arise due to various factors and give scope for non-performing assets (NPA). These factors may be internal or external.
- 2.2. This Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property/ asset. The Policy recognizes fairness and transparency in repossession, valuation, and realization of security. All the practices adopted by the Company for follow up and recovery of dues and repossession of security will be in consonance with the law. Security repossession would commence after other attempts by the Company to discuss with the borrower the means to resolve the default situations have failed. In exception situations, the Company has the right to repossess the financed asset, as a preventive measure, even in instances where there has been no default but on account of misstatement of information by the customer that is in violation to the terms and conditions of the loan agreement/ documents.

### **3. COLLECTION AND REPOSSESSION OF SECURITY**

#### **3.1. Introduction**

This Policy is built around dignity and respect to customers. The Company will not follow policies that are unduly coercive in collection of dues. This Policy is built on courtesy, fair treatment, and persuasion. The Company believes in following fair practices with regard to collection of dues and thereby fostering customer confidence and long-term relationship.

The repayment schedule for any loan sanctioned by the Company will be fixed taking into account paying capacity and cash flow pattern of the borrower. The Company will keep the customer informed of the method of calculation of interest and how the equated monthly instalments (**EMI**) or payments through any other mode of repayment will be appropriated against interest and principal due from the customers. The Company would expect the customers to adhere to the repayment schedule agreed to and approach the Company for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

#### **3.2. Collection and Repossession of Security Mechanisms**

The guidelines related to the collection mechanisms for any loan products offered by the Company are as stated below:

### 3.2.1 Giving notice to borrowers

While written communications, telephonic reminders, or visits by the Company's representatives to the borrowers place or residence will be used as loan follow up measures, the Company will not initiate any legal or other recovery measures including repossession of the secured assets without giving due notice in writing. The minimum time that would be given to the borrower to pay the debt would be 7 (seven) days failing which the Company would proceed to take possession of the asset. However, if the customer deliberately avoids acknowledging or establishing contact with the Company, then the Company will be free to proceed with the repossession of the security.

Any genuine difficulties expressed/ disputes raised by the customer will be considered by the Company before initiating recovery measures. The Company will follow all such procedures as required under law for recovery / repossession of secured assets.

### 3.2.2 Repossession of secured assets

Repossession of secured assets/ security is aimed at recovery of dues and not to deprive the borrower of the secured assets/ security. The recovery process through repossession of secured assets will involve repossession, valuation of secured assets and realisation of secured assets through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the notice as detailed above. Due process of law will be followed while taking repossession of the secured assets. The Company will take all reasonable care for ensuring the safety and security of the secured assets after taking custody, in the ordinary course of the business and necessary cost will be charged to the borrower. The Company will take all prudent measures for ensuring safety and security of the property after taking custody.

### 3.2.3 Valuation and sale of secured assets

Valuation and sale of secured assets repossessed by the Company will be carried out as per law and in a fair and transparent manner. In the case of loans against property, the valuation given by the approved valuer will be conveyed to the borrower before proceeding with sale of property. Even borrower of loan against property will be informed on bidding process and he will have an opportunity to bring in a higher bid.

The Company will have right to recover from the borrower the balance due, if any, after sale of secured assets. Excess amount, if any, obtained on sale of the secured assets shall be paid to the borrower entitled thereto in accordance with his rights and interests, after meeting all the related expenses, provided the Company is not having any other claims against the customer. The Company's right to general lien and its implications will be made clear to the borrower while executing the loan documents.

In the case of hypothecated assets after taking possession if no payment is forthcoming, a sale notice of 7 (seven) days' time to respond will be sent to the borrower. Thereafter, the Company will arrange for sale of the hypothecated assets in such manner as deemed fit by the Company. In respect of cases under Securitization and Reconstruction of financial assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act") as per the provisions of the SARFAESI Act, 30 (thirty) days' notice of sale will be sent. When public auction or by tender is envisaged, the same will be published in 2 (two) leading newspapers out of which one is in local vernacular paper. The borrower is liable to pay the Company any loss suffered on account of such sale and in case, there is an excess amount which is realized after the sale of the asset, the Bank shall, in reasonable time, refund it to the customer.

### 3.2.4 Opportunity for the borrower to take back the secured assets

As indicated earlier, the Company will resort to repossession of secured assets only for the purpose of realisation of its dues as the last resort and not with intention of depriving the borrower of the secured assets. Accordingly, the Company will be willing to consider handing over possession of secured assets to the borrower after repossession and before concluding sale transaction of the secured assets, provided the Company dues are cleared in full. If satisfied with the genuineness of borrower's inability to pay the loan instalments as per the schedule, which resulted in the repossession of secured assets, the Company may consider handing over the secured assets after receiving the instalments in arrears. However, this would be subject to giving an undertaking by the borrower to repay the remaining instalments / dues in future and to maintain the loan account as performing asset until closure of the account as per the terms of the loan agreements(s) to the satisfaction of the Company.

### 3.3. **Collection Guidelines**

3.3.1 All the members of the staff or any person authorized to represent the Company in collection or/and security repossession would follow the guidelines set out below:

- (a) The customer would be contacted ordinarily at the place of his / her choice and in the absence of any specified place, at the place of his / her residence and if unavailable at his / her residence, at the place of business / occupation.
- (b) The Representatives shall display identity card/ authority letter issued by the Company upon request by the borrower/ co-borrower.
- (c) The Company would respect privacy of its borrowers. It shall however be noted that contacting the borrower on phone or personal visits for recovery of dues (in line with this model policy) will not be construed as an intrusion of the privacy of the borrower.
- (d) The Company is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and bank will adopt civil manners for interaction with borrowers.
- (e) Normally Company's representatives will contact the borrower between 0800 hrs. and 1900 hrs. unless the special circumstance of his / her business or occupation requires the Company to contact at a different time.
- (f) Borrower's request to avoid calls at a particular time or at a particular place would be honoured as far as possible.
- (g) The Company will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record.
- (h) All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- (i) Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls / visits to collect dues.
- (j) The Representatives shall not use any abusive, offensive, obscene, or discriminatory language.

#### **4. LEGAL ACTION AND RECOVERY**

Recovery proceedings shall be initiated against the borrower / guarantor wherever exit, restructuring and rehabilitation or settlement / compromise have been exhausted or are not possible. Wherever possible, action for enforcement of security under the SARFAESI Act shall be taken.

All legal actions / recovery actions shall be approved by the designated approval authorities. In cases of willful default, (e.g., diversion and siphoning of funds), fraud and malfeasance on the part of the borrower, legal action shall be the first and only option for recovery, as any other option of recovery would not be appropriate.

#### **5. ENGAGEMENT OF RECOVERY AGENTS**

5.1. The Company may utilize the services of recovery agents for collection of dues and repossession of securities.

5.2. Recovery agents, if utilized, will be appointed as per regulatory guidelines issued in this regard. In this respect:

5.1.1 Only recovery agents from the empaneled vendors will be engaged by the Company.

5.1.2 In case bank engages service of such recovery/ enforcement/ seizure agent for any recovery case, the identity of the agent will be disclosed to the borrower; and

5.1.3 The recovery agents engaged by the bank will be required to follow a code of conduct covering their dealings with customers.

#### **6. NON-COMPLIANCE**

Any person or entity who violates this Policy may be subject to appropriate disciplinary action, independently from potential other penalties resulting from their behaviour.

#### **7. UPDATES, REVIEW AND OWNERSHIP**

7.1. The effectiveness of this Policy will be monitored regularly. Procedures and practices will be reviewed, and further practical guidelines may be issued with a view to ensure compliance with applicable laws.

7.2. This Policy may be updated from time, and the updated version of the Policy will be made available on the Company's website.

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