



***NON-PERFORMING ASSET
& RECOVERY POLICY***



1.1 INTRODUCTION:

- a. J.S. Global finance Limited (Hereafter referred as “the Company”) is a NBFC registered with Reserve Bank of India as, “non-deposit taking” NBFC. Its principal objective is to extend MSME loans to the small and medium enterprises which is secured/unsecured by way of property mortgage/ third party guarantee and also by Hypothecation by any other available means. These loans are main earning assets of the company, therefore maintaining good quality loan assets is utmost important for the company.
- b. Despite best effort done by the company on loan underwriting there are circumstances when loan become delinquent. Therefore, putting in place a comprehensive recovery policy is important to ensure prudent operational practices within the company. This recovery policy will provide clear guidelines to operations team to monitor, contain, and recover the advances in most effective ways.
- c. All loan products are to be reviewed annually. In order to ensure compliance, Credit and risk department shall monitor progress of reviewed products of the Company, at quarterly intervals.
- d. Company has continuously been striving to maintain transparent and fair practices, and stand by its commitments made to customers under the Fair Practices Code in respect of acknowledging receipt of loan applications and their timely processing, appraisal and sanction, stipulation of terms and conditions, post disbursement supervision, changes in terms and conditions, recovery efforts etc., The Company has also put in place a mechanism for redressal of grievances of borrowers. An annual review of compliance with FPC for lenders, and functioning of the grievance redressal mechanism is to be put up to the Board by Credit Department.

2.1 OBJECTIVES

- a. To reduce the Company’s NPA level in absolute terms by preventing diminution of accounts and accelerating recoveries in the existing NPAs.
- b. To ensure all the company employees follows the code of conduct set up by the Reserve bank of India (RBI) and the companies code of conduct while executing the recovery policy in the field.
- c. To take a pro-active approach in finding solutions for the borrowers who are in stress but their intent is good, the solutions may include restructuring of loans and compromised settlements. Compromise solutions would be allowed only in defined situations, though the Company’s endeavor would remain recovery of 100% principal and interest dues when possible.
- d. To ensure accuracy in reporting of accounts once it is delinquent.

3.1 GUIDELINES

- a. Standard asset means 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 nor carry more than normal risk attached to the business.
- b. Overdue/ delayed payment- Any amount due to the company under any credit facility is ‘overdue’, if it is not paid on the due date fixed by the Company or available in the sanction letter and loan documentations.



- c. Non-performing asset means an asset for which, interest/principal payment has remained overdue for more than 180 days.
- d. Distress account is the account which is showing the signs of stress and critical account for resulting the borrower defaulting in timely servicing of their debt obligations through the account but has not been classified as NPA as extent by RBI guidelines. Early recognition of the of such accounts will enable the company to timely initiate the remedial process to prevent the same before converting into NPA.
- e. All credit proposals are subjected to due diligence processes in regard to the credentials of the borrower, purpose of the loan, financial position of the borrower, need based requirement of credit facilities for working capital and capital expenditure, capability to service the loans and security offered. Demographic details of the borrower ensured by the credit Risk Team.
- f. The loan proposals should be supported by a Sanction letter/ application duly signed by an authorized person of the borrower/ co borrower.
- g. Scrutiny of past credit history of all Borrowers/Promoters/Directors/Guarantors needs to be carried out with a view to being satisfied about their credentials, and for ensuring compliance with the guidelines on KYC and AML under Prevention of Money Laundering Act or similar such act of India.
- h. Individual Due diligence in relation to promoters and management should also reckon/cover aspects like experience, professionalism, integrity, vision, track record of meeting commitments to lenders, industry experience, history of strategic initiatives, governance practices and record of adherence to covenants. Company's approach in granting credit facilities to companies whose directors are in the Defaulters' List of RBI / Credit Information Companies/SEBI Banned list / Central Fraud Registry of RBI/ IBG defaulters is also to be taken care of.
- i. Financial Due diligence should be taking care of by taking all GST and ITR returns and verification of the same must be insured. Balance sheet should be free from any material adverse remarks from auditors.
- j. All requests for the Loan applications have to be initiated by the borrowers only. However, in some cases where borrowers do not have in-house capability to handle large / complex proposals, they do engage the services of intermediaries. All proposals received from these types of intermediaries would be subject to the same due diligence and scrutiny as would normally be applicable to proposals received directly from borrowers / prospective borrowers. It must be ensured that there is no waiver in standards, scope and coverage of our own internal due diligence procedures as well as in independent assessment of the relative proposal/project.
- k. Upgradation of an account classified as NPA-Loan accounts classified as NPA may be upgraded to standard assets only if borrowers paid the entire arrears of principal and interest. Once the account is classified as NPA, the entire interest accrued and credited to the income account in the past periods must be reversed to the extent it remains unrealized. However, the Company may account interest on NPA as per INDAS 109 on the realized portion after making ECL provisioning.



- l. The Company is adhering to RBI notification BI/2019-20/170 DOR (NBFC). CC.PD.No.109/22.10.106/2019-20 dated 13th March, 2020 relating to implementation of IND AS.
- m. Bad debt/ Loss asset- 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.
Action to be taken in NPA Accounts-Once account has been identified as NPA:
- n. The borrower and the Co- borrower, Guarantor be vigorously followed up for recovery/regularization of the account in center meetings or otherwise. In case no desired response is received, recovery notice to be served on borrower within 30 days followed by a legal notice through an advocate on the Company's panel to the borrower and the guarantor within 30 days from the date of identification of the account as NPA with prior approval of the Head Office.
- o. 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 with the approval of competent authority. The competent authority shall be at least a level higher in hierarchy to the authority from which such loan was approved. Further any official who was part of sanction of such loan shall not be a party to approve the restructuring/settlement. However, all the proposal for compromise/ technical write off shall be approved by the CEO and Board of Directors before giving effect. It should be ensured that the statements showing position of NPA's should be updated immediately after the day end process. NPA statements should be thoroughly scrutinized by the operations supervisors and the risk department and necessary direction/guidance may be provided to the branch staff. Based on the analysis of NPA accounts and staff workload targets for recovery should be fixed. Target should be fixed in consultation with the Relationship Managers and the credit Operations Supervisors and Head Office team should monitor the branches performance against the given targets and provide the need based guidance to the branch staff.
- p. The position of recovery in NPA accounts, including restructured and compromised settlements accounts, should be reviewed on a monthly basis by the Risk Department and the position of recovery be placed before the Management on a monthly basis. Recoveries affected in NPA assets be first be appropriated towards interest then principal.
- q. One-time settlements- A compromise should be negotiated settlement, which would ensure recovery of the dues Action to be taken in NPA to the maximum extent possible at minimum expense and within shortest possible time. 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.
- r. A compromise/settlement be made only if the account has been classified as loss assets. However, if there are any genuine reasons, compromise/settlement can also be made in case of NPA accounts.



- s. 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 may also be considered with the permission of appropriate authority. Before entering into any compromise /settlement details of the assets of the borrower and guarantor be collected and the relief be granted if the Company deems fit.
- t. For any secured Loan , compromised to be done with respect of taking over of asset at fair market value.
- u. There may be some rare cases, where recovery of amount arrived at as per policy 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 instalment 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.
- v. Payment from settlement account- As far as possible, settlement amounts should be recovered in a lump-sum. Where the borrowers desire to pay the settlement amounts in instalments, a maximum time period of 3 months from the date of approval be allowed. In specific cases where borrowers have genuine concern they may be granted additional time with the permission of competent authority to pay the settlement amount. Such cases should be rare and if the time permitted for the payment of compromised amount is more than 3 months, then such accounts will be classified as restructured account. Payment of settlement amount in instalments will attract interest at Base Rate (simple). Wherever instalment payments are sought, there should be a minimum of 25% down payment of the settlement amount. The sanctioning authority will have authority to waive the interest for delayed payment if he deems fit.
- w. Recovery in settlement of FRAUD cases- 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 Management and credit team. Investigating/ collection 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. All the assistance required or called for by the investigating Agency or court to take the case to its logical conclusion should be promptly provided by the Company. 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.
- x. Write off in accounts- The Loan accounts , balances of which are to be written off must have been classified as NPA and account is past due for more than 450 days. In case of death of the borrower, if insurance company has rejected the insurance claim or even if borrower is not insured under life insurance policy because of reason/s whatsoever. Balances in the account are written off only after obtaining report from the Business Head Manager about remote possibility of recovery in the account. Such reports are scrutinized at Head Office level thoroughly before recommending for write off. Managing Director shall have



authority to write off accounts with principal & interest outstanding up to Rs.5.00 lakhs. In respect of the accounts with outstanding above Rs.5.00 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.

- y. The court cost and other incidental charges for such recovery should be debited to Branch's Profit & Loss Account.
- z. 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 will only add 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.
- aa. The Company believes in following fair practices with regard to collection of dues and repossession of security 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 explain to the customer upfront the method of calculation of interest and how recovery or any other mode of repayment will be appropriated against interest and principal due from the customers. The method of collection of recovery or due (say postdated cheque, direct debit, ECS, etc.) would be fixed taking in to consideration the convenience of the borrower. 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.

NPA & Recovery Policy has been approved via Board meeting dated 02.01.2024 by resolution No. 4.

Approved



Darpan Sharma

Director