

RECOVERY POLICY



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Introduction

A good Asset quality is one of the major soundness indicators and determines the profitability of any lender. Therefore, considerable emphasis is to be placed on improving asset quality. Prompt recovery of loans not only increases the liquidity and profitability position of the lending institution but also enables the lending institution to recycle the funds for fresh loans and alternate investment activities.

Further, any addition of fresh Non-Performing Assets ("NPAs") will have twin impact on profitability of the lending institution. Interest on NPAs is recognized only when it is actually realised and unrecovered portion of interest pertaining to current and past periods are reversed thereby the income is reduced to that extent. Moreover, provision is to be made for all the NPAs at higher rates. Therefore, to take suitable steps for monitoring asset quality, taking timely action to prevent deterioration in asset quality, arresting the trend of NPAs and help in the recovery of its loans including the impaired ones, a Recovery Mechanism should be put in place.

In view of the above Recovery Policy has been formulated to have a fair and transparent process for collection of dues and repossession of security with a view to fostering confidence and long term relationship with customers. Accordingly, the Recovery Policy of Saral Home Finance Limited ("SHFL") is read as under:

Objects of Recovery policy

- To minimize the incidence of fresh NPAs;
- To upgrade the existing NPAs by regularizing the accounts;
- To prevent deterioration in the quality of assets;
- To reduce the level of NPAs by recovery, adopting various legal and non-legal measures;
- To invoke the provisions of SARFAESI Act, 2002, if required, for speedy recovery of dues;
- To closely follow up the irregular accounts showing sticky tendencies.

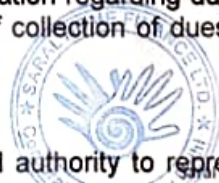
General Guidelines

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

A) Collection of Dues

At the time of disbursement of loan, the customer will be explained the repayment process including amount, tenure and periodicity of repayment detailed in the repayment schedule. If the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him/her notice or by making personal visits and/or repossession of security if any. SHFL's collection policy has been built on courtesy, fair treatment and persuasion, fostering customer confidence and long-term relationship. SHFL's representative or any person authorized to represent HFL in collection of dues and/or security repossession shall identify himself/herself and display the authority letter so issued. They will provide customers with all the information regarding dues and endeavour to give sufficient notice for payment of dues. In the process of collection of dues, SHFL and/or its authorized Agents shall:

- Respect customer's privacy;
- Display and inform the customer of his/her identity and authority to represent SHFL in the first instant;
- Remind the customer by sending him/her notice or by making personal visits



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- Provide customers with all the information regarding dues and shall endeavour to give sufficient notice to payment of dues;
- Use legal means to repossess the Asset- Both immovable and movable property;
- Repossession clause duly incorporated in the loan agreement signed/acknowledged by borrower/co-borrower and guarantor will be invoked in the manner adhering to the principles of fair practice and applicable laws;
- SHFL and /or its authorized representatives shall not use abusive language and/or force while undertaking collection/repossession activity;
- Not speak to anyone else except the customer or, in his absence, his family member for recovering the outstanding dues;
- Not contact or speak to anyone except the customer for collection of outstanding dues;
- Always be polite to all the customers;
- Customer's request to avoid calls at a particular time or at a particular place shall be honoured as far as possible;
- Contact the customer ordinarily at the place of his /her residence and if unavailable at his/her residence, at the place of business/occupation between 0700 hrs and 1900 hrs, unless the special circumstances of the customer's business or occupation require otherwise;
- Document time and number of calls and contents of conversation;
- Provide all assistance to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner;
- Maintain decency and decorum during visits to customers' places;
- Not visit on inappropriate occasions such as bereavement in the family or such other calamitous occasions to collect dues.

B) Notice to borrowers

As recovery measures written communications and /or telephonic reminders will be sent to the borrowers. Further the representative of the Company may visit personally to the residence or workplace of borrowers.,

SHFL will initiate any legal or other recovery measures including repossession of the security after giving due notice in writing. SHFL will follow all such procedures as required under law for recovery/repossession of security. Reminder notices will also be used as an effective tool of collection. Reminder notice for debt collection is an alternate soft collection method reminding the Borrowers for overdue repayment and considered as an effective evidence in case of initiation of legal action against a borrower.

Reminder /Legal Notices will be sent to the customers as per the below aging of Overdue:

- 1) First reminder notice 8-30th Day;
- 2) Second reminder Notice 31 to 60 days;
- 3) Final reminder and LEGAL recall notice 61 to 90 Days;
- 4) Initiation of proceedings u/s 138 of N.I. Act, 1881 in case bouncing of EMI cheque;
- 5) Notices and initiation of legal action under SARFAESI Act after turning Account into NPA i.e. Overdue >90 Days.

C) Repossession of Security

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession, valuation of security and realization of security 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 property. HFL will take all reasonable care for ensuring the safety and security of the property after taking custody, in the course of the business.

Action under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI Act)

A) Enforcement of SARFAESI Act

SHFL has been notified as financial institution under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The said Act empowers SHFL to enforce the Security Interest with/ without the intervention of Court. SHFL can take strict action against defaulters by enforcing the provisions of the said Act. Speedy recovery is ensured under this Act. SHFL may enforce the provisions of this Act under the following circumstances:

- i. If any Loan Account is classified as NPA by SHFL due to non-payment of Interest or EMI of the Loan for more than 90 days;
- ii. Outstanding Balance of such NPA Accounts are more than Rs. 1 Lakh at the time of classification said Loan Account as NPA and amount due is more than twenty per cent of the principal amount and interest thereon;

As per the provisions of SARFAESI Act the Recalling Notice shall be issued by the Authorized Officer of SHFL. SHFL shall appoint an Officer of the rank of Assistant Vice President (Legal) and above as an Authorized Officer for the purposes of speedy recovery under the said Act. The Authorized Officer shall follow the procedures prescribed under the Act and other guidelines/ codes issued by SHFL in this regard.

B) Valuation and Sale of Property

SHFL shall carry out the Valuation of Property as per the law and Valuation Policy of the Company. A reserve Price of the Property shall be fixed and then it will be disposed of by way of auction. SHFL shall recover the balance amount from Borrower, if full outstanding amount is not recovered from the sale of said Property. Excess amount if any, obtained on sale of property will be returned to the borrower after meeting all the related expenses provided SHFL is not having any other claims against the customer.

C) Opportunity for the borrower for settlement and taking back the Security

SHFL will resort to repossession of security only for the purpose of realization of its dues as the last resort and not with intention of depriving the borrower of the property. Accordingly, if any Borrower approaches SHFL, any time after repossession but before the auction of the Property and fully clear all dues of SHFL, then SHFL may consider handing over the property back to the Borrower and withdraw all the proceedings initiated under SARFEASI Act.

SHFL shall report all such cases where action has been initiated under the SARFAESI Act., and progress thereupon in respect of each case, under periodic reporting to NHB.

Engagement of Recovery Agents

SHFL does not have any external recovery agency, however in event of any exigency SHFL may engage recovery agents as per prevalent guidelines of NHB.

Before engaging Recovery Agencies, the Company will conduct a due diligence on them to ensure verification of the antecedents of their employees, which may also include pre-employment police verification. Further, as a matter of abundant caution, the Company may decide the periodicity at which re-verification of antecedents must be resorted to. The Company will monitor the activities of Agents on a regular basis through internal feedback, and available market information/ public information to determine any adverse, unlawful, uncivilized practice/ behaviour by the Agents, to enable appropriate action as may be deemed necessary.



Follow Up of Irregular / Overdue / NPA Advances

Generally, irregular payments and/or default on the payment of instalments and/or interest would turn the loans and advances into NPAs, if timely adequate care is not taken for their recovery/regularization. Interest on such NPAs should not be recognized by SHFL. This would affect the profitability of SHFL adversely. As such, SHFL, as a policy, will always make an endeavour to contain the number of NPAs and with a view to arrest the trend of the accounts turning NPAs, SHFL shall take the following steps:

1. If any monthly instalment remains unpaid, the borrower will be personally contacted and/or a notice demanding the due instalment (s) will be issued simultaneously;
2. If Guarantee is also provided for the Security of repayment of the Loan, then Guarantor will also be contacted and followed up for recovery/ regularization of the Account.
3. A Legal notice through an Advocate on the Panel of SHFL will be issued to Borrower and Guarantor if Borrower doesn't regularize his/her account even after taking steps mentioned in point 1 and 2;
4. If after taking the steps mentioned in 1 to 3, the account is not regularized and the account has turned into NPA, then SHFL after taking corrective measures, shall initiate the action under SARFEASI Act;
5. NPA accounts will continue to attract NPA classifications and provisioning in the books of the company as per the prudential norms and they would be set off from the books only after settlement of recovery or write off;
6. If after taking legal actions, Borrower offers and requests to pay the entire outstanding balance of loan in one lump sum amount, then such offer and request shall be considered sympathetically and after realization of the amount in Bank Account of SHFL, the Borrower may be released from his liabilities. If Borrower pays outstanding amount from his own resources to the satisfaction of SHFL, Penal Interest, Penalty and/or other charges may be waived off after taking the prior approval of the appropriate authority;
7. A quarterly statement on NPAs will be placed before the Board/Committee of the Company. The Board/Committee will scrutinize and analyse the NPA statement and fix the targets for recovery during the next quarter.

Review

The Recovery Policy shall be reviewed annually by the Board of the Company.



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