



## INDUSTRIAL INVESTMENT TRUST LIMITED

### COLLECTION & RECOVERY POLICY

**Industrial Investment Trust Limited**

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### **Introduction**

The Collections & Recovery Policy of Industrial Investment Trust Limited (IITL) shall aim at making the recovery process faster, so that Gross NPA level is maintained as per the risk appetite.

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 are minimum.

### **Objectives & Principles**

The quality and performances of advances have a direct bearing on the profitability of IITL. 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.

#### **Key objectives of the policy are:**

- ▶ The Policy is aimed at strengthening the management and recovery of NPAs and proactive initiatives to closely monitor existing accounts.
- ▶ The Policy to lay stress on early identification and reporting of all existing and potential problem loans in preventing the incidence of NPAs.
- ▶ The Loan Review Mechanism to be triggered on detection of early warning signals to ensure an effective and quicker response for correction.
- ▶ The Policy emphasizes a broad approach, including critical parameters to be taken into account, towards the collection, recovery and resolution of loans through rehabilitation, compromise settlements etc.
- ▶ The Policy also proposes an approach for cleansing of our NPA portfolio through judicious write- offs.
- ▶ The Policy aims at improving internal efficiency of the recovery machinery and thus enhance the profitability of the Company.

#### **Following are the guiding principles for this policy:**

- ▶ IITL's recovery procedure will be based on legal and acceptable practices.
- ▶ IITL will treat its defaulters with respect and dignity while being focused on recovery.
- ▶ IITL will follow only ethical practices and will not resort to unduly coercive tactics in the process of recovery of NPAs.
- ▶ IITL will not initiate any legal or recovery measures including repossession of the

security without giving due notice to the borrower in writing. IITL will follow all such procedures as required under law for recovery/repossession of the security.

- ▶ Repossession of security will be only at recovery of dues and not to deprive the borrower of the security. Repossession, valuation and realization of security will be always done in a fair and transparent manner.

## **1. Collections**

### **1.1. Introduction**

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

### **1.2. Collection Mechanisms**

The guidelines related to the Collection mechanisms for loan products offered by IITL are as stated below:

#### **1.2.1. Giving notice to borrowers**

While written communications, telephonic reminders or visits by IITL's representatives to the borrowers place or residence will be used as loan follow up measures, IITL will not initiate any legal or other recovery measures including repossession of the secured assets without giving due notice in writing. Any genuine difficulties expressed/ disputes raised by the customer will be considered by IITL before initiating recovery measures. Company will follow all such procedures as required under law for recovery / repossession of secured assets

#### **1.2.2. Repossession of Secured assets**

Repossession of secured assets is aimed at recovery of dues and not to deprive the borrower of the secured assets. 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. IITL 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 borrower.

### 1.2.3. Valuation & sale of secured assets

Valuation and sale of secured assets repossessed by IITL will be carried out as per law and in a fair and transparent manner. IITL 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 person entitled thereto in accordance with his rights and interests, after meeting all the related expenses, provided IITL is not having any other claims against the customer. Company's right to general lien and its implications will be made clear to the borrower while executing the loan documents.

### 1.3. Specific Collection Guidelines for Retail and MSME Loans

An Officer to represent IITL in collection or/ and secured assets repossession would follow the guidelines set out below:

- ▶ 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.
- ▶ Identity and authority of persons authorised to represent Company for follow up and recovery of dues would be made known to the borrowers at the first instance. IITL staff or any person authorised to represent the Company in collection of dues or / and secured assets, repossession will identify himself / herself and display the authority letter issued by IITL upon request.
- ▶ IITL would respect privacy of its borrowers.
- ▶ IITL 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.
- ▶ Normally IITL's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstance of his / her business or occupation requires IITL to contact at a different time.
- ▶ Borrower's request to avoid calls at a particular time or at a particular place would be honoured as far as possible.

## **2. Recovery & Resolution Mechanism**

### **2.1. Introduction**

Continuous and focused follow-up on daily basis is the underlying principle for good recovery and also for identifying genuine problems of the borrower so that timely assistance can be extended to correct any temporary mis match of the cash flow/ review of repayment schedule etc.

- ▶ Endeavour should be to prevent the asset from becoming NPA rather than applying remedial measures at post NPA stage.
- ▶ Timely restructuring / rehabilitation in deserving cases should be ensured as per prescribed guidelines from RBI.
- ▶ Company shall introduce MIS to monitor overdue.
- ▶ Company may opt for One Time Settlement where chances of entire recovery are remote / time consuming.
- ▶ Company may consider Sale of NPA assets to ARCs/Companies/FIs.
- ▶ Company will enforce the provisions of identifying and declaring Willful defaulters in accordance with R.B.I guidelines. General consistency in approach is expected while dealing with Willful defaulters.

| Approach for recovery should be practical and non-prejudiced. Fair treatment and persuasion are the basic principles of recovery mechanism. Enforcement of security be undertaken only where restructure / rehabilitation has failed or impossible.

## **2.2. Tools for Recovery**

The repayment record of borrowers shall be monitored both with regard to payment of interest and repayment of principal. Whenever a borrower defaults or is likely to default, rigorous follow-up shall be made for the collection of dues / arrears. When default occurs, oral and written communications are to be sent to the borrower to regularize their accounts within a specified period. In case the assistance is secured by a guarantee (personal or corporate), steps shall be taken to recover dues from the guarantor.

IITL shall use any of the following broad methods for management of problem accounts:

1. Restructuring
2. Settlements / compromise
3. Legal Action & recovery
4. Write-off

### **2.2.1. Restructuring**

This represents those accounts where the borrower is willing to repay his dues to IITL but does not have the capacity/funds to do so right away. In such cases, company should examine the causes of sickness and recommend support proposed to the borrower..

The approach will generally be adopted provided IITL is satisfied that:

- ▶ Eligibility criteria and regulatory guidelines with respect to restructuring are fulfilled
- ▶ The loan has become an NPA due to factors other than lack of integrity on the part of the promoters.
- ▶ Genuineness of the obligor and viability of the proposal is established
- ▶ There is prima facie case for considering such a proposal.

### **2.2.2. Settlement/Compromise**

Compromise settlement refers to a negotiated settlement where a borrower offers to pay and IITL agrees to accept in full and final settlement of its dues an amount less than the total amount due to them under the relative loan contract. This settlement invariably involves a certain sacrifice by way of write off and/or waiver off a portion of its dues on a one-time basis.

All settlement / compromise decisions would be approved by board only.

The Policy recognizes that it is not possible to lay down precise guidelines which can be followed uniformly in case of all compromise offers as each offer is unique in the context of circumstances necessitating its consideration as a recovery option.

The Policy however, lays down the following principles which are to be kept in view while considering compromise offers:

- ▶ Company may take up a compromise settlement / OTS proposal for consideration, irrespective of the present stage and status of the recovery proceedings.
- ▶ Any compromise will be a negotiated settlement under which IITL will endeavour to recover its dues to the maximum extent possible, with minimum sacrifice. However it is recognised that amicable settlements are possible only in a win-win situation and sacrifice is a part of settlement.
- ▶ The last status of the activity of the borrowing entity which seeks a compromise will be taken into reckoning at the very first stage of the negotiation.
- ▶ As far as possible, an initial deposit of a reasonable amount should be taken from the borrower as evidence of his intention to pursue the compromise settlement with IITL.
- ▶ It is recognised that the OTS amount normally will not be less than the realisable value of securities. While considering the realisable value due consideration will be given to various factors like forced sale value, early realization of money, sale ability of the property, type, effort and cost involved & yield in the account.
- ▶ Normally no Compromise Settlement will be made with wilful defaulters. However, it is recognized that, sometimes business prudence requires compromise settlement in the case of wilful defaulters also, which will be considered on a case to case basis.

### **2.2.3. Legal Action & Recovery**

Legal action will be initiated only as a last resort against the borrower / guarantor wherever exist, restructuring or settlement / compromise have been exhausted or are not possible. Wherever possible action for enforcement of security under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (“SARFAESI”) Act, 2002<sup>21</sup> should be taken.

All legal actions / recovery actions shall be approved by the designated approval authorities as per the Delegation of Authority of the IITL. In cases of wilful default, (e.g.

diversion and siphoning of funds), fraud and malfeasance on the part of the borrower, legal action may be the first and only option for recovery, as any other option of recovery would not be appropriate.

**2.2.4. Write off/Waiving of Legal action**

If the borrower has no means to pay and IITL is sure that the dues are irrecoverable, Company shall waive legal action and write off the amount.

Waiver of legal action/write off can be permitted only when the authorized functionary is satisfied that the borrower has no tangible security or any attachable assets, has no adequate income of repayment and no useful purpose will be served by resorting to legal recourse. However initiation of Revenue Recovery measures (wherever applicable) shall be a pre-condition to waiver of legal action.

**All write offs to be approved by the Board of IITL.**