CREDIT POLICY

Version 3

RAR FINCARE LIMITED
New No 33, Old No 8, Venkatesan Street, T. Nagar, Chennai – 600 017

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Credit Policy

1 Introduction

This Credit Policy outlines the framework for managing credit risk within RAR Fincare Limited, a Non-Banking Finance Company (NBFC). The policy is designed to ensure compliance with the Reserve Bank of India (RBI) guidelines and other applicable regulations and to promote prudent lending practices.

The credit Policy is designed to further, RAR Fincare Limited's Lending Philosophy, wherein RAR Fincare Limited will establish high quality, profitable relationships. It prioritizes, Quality portfolio and prudent Growth.

2 Objectives

- Establish a Robust Credit Risk Environment.
- Implement a sound Credit Granting Process
- Maintain effective Credit Administration, Measurement and monitoring.
- Ensure adequate control over credit risk

3 Scope

This policy applies to all credit-related activities, including loan origination, credit assessment, approval, monitoring, and recovery.

4 Definitions

For the purpose of this Policy, unless the context otherwise requires

- Board of Directors ("Board") : Refers to the collective body of all Directors of RAR Fincare Limited.
- RAR Fincare Limited ("RAR") : An RBI Registered NBFC ICC, a company which is a financial institution carrying on as its principal business – asset finance
- Reserve Bank of India ("RBI") means Reserve Bank of India Constituted under Sec 3 of RBI Act 1934
- Board of Directors/Board Committee/Board approved Sub committees ("Board")
- Words or expressions used in this policy but not defined herein and defined in the RBI Act, 1934 shall have the same meaning as assigned to them in the RBI Act, 1934. Any other words or expressions not defined in the RBI Act, 1934 shall have the same meaning as assigned to them in the Factoring Regulation Act, 2011. Any other words or expressions used and not defined in these directions or in the RBI Act, 1934 or Factoring Regulation Act, 2011 or any of the Directions issued by the Reserve Bank, shall have the meanings respectively assigned to them under the Companies Act, 2013 as the case may be.
- **Deviation Approval:** Deviation approvals specified in this policy documents and its annexures indicate the minimum level of authority required for approval. Any higher authority within the organizational hierarchy may likewise approve these deviations."

5 Review and Revision

This policy will be reviewed at least annually by the Board and revised as and when necessary to ensure its continued effectiveness and compliance with regulatory requirements.

6 Compliance with Regulatory Framework

7 RAR will ensure compliance with all applicable RBI guidelines and other extant statutory, regulatory guidelines/laws applicable to the Company

8 Credit Risk Management Framework

8.1 Board of Directors

The Board of Directors are responsible for overseeing the credit risk management framework and ensuring its effectiveness. The Board will:

- Approve the Credit Policy and review the same atleast annually.
- Review and approve any interim changes to the Credit Policy.
- Review credit risk reports if requested by the senior management and ensure appropriate actions are taken.
- Ensure that credit risk management is integrated into the company's strategic planning.

8.2 Audit & Risk Management Committee

The Audit & Risk Management Committee is responsible for overseeing the overall Risk of the Organization. The above mentioned Committee's role is defined in The Enterprise Risk Management Policy.

8.3 Credit Committee (CC)

The Credit Committee (CC) comprising of Chief Executive Officer and a Non-Executive Director is responsible for implementing the credit risk management framework. The CC will:

- Develop and maintain the Credit Policy.
- Identify and assess credit risks.
- Monitor credit risk management activities.
- Report to the Board on credit risk management issues.

8.4 Credit Origination

Credit origination will be conducted in a manner that ensures compliance with regulatory requirements and internal policies. This includes:

- Conducting thorough due diligence on potential borrowers.

- Ensuring that all necessary documentation is obtained and verified.
- Assessing the borrower's creditworthiness and repayment capacity.

The primary unit responsible for the above would be the Business Unit and the secondary responsibility would lie with the Credit unit

8.5 Credit Assessment

Credit assessments will be conducted based on the following criteria:

- Financial analysis of the borrower's financial statements.
- Evaluation of the borrower's business model and industry.
- Assessment of the borrower's credit history and repayment behavior.
- Analysis of collateral and security provided by the borrower.
- An internal rating tool wherever applicable and as and when developed for different products would be used to objectively assess credit proposals.
- Underwriting guidelines for each customer segment/product will be developed as needed. Once developed, these guidelines will come into force after receiving the necessary approvals in line with this Credit Policy. Upon approval, the Underwriting guidelines will from part of this Credit Policy as an annexure.
- The primary unit responsible for adherence to the above would be the Credit unit and the secondary responsibility would be with the Risk Unit.

8.6 Credit Approval

Credit approvals will be based on a tiered approval process, depending on the size and risk profile of the loan. This includes:

- Approval by the CC for high-value loans.
- Approval by designated officers for lower-value loans.
- Underwriting norms would be duly approved by CEO & COO.

The primary units responsible for adherence to the above would be the Credit Administration Unit, Credit Unit and the secondary responsibility would be with the Risk Unit.

8.7 Credit Monitoring

Credit monitoring will be conducted on an ongoing basis to ensure that loans remain performing and that any potential issues are identified early. This includes:

- Periodic review of borrower financial performance.
- Monitoring of loan repayment schedules.
- Periodic reassessment of collateral value.

- Proper end use of loans shall be ensured by stipulating appropriate product specific conditions including payment directly to vendors, CA certified utilization certificate, obtaining quarterly stock and book debts statements, Period inspection by RAR Officials etc.

The primary units responsible for adherence to the above would be the Credit Monitoring Unit and Credit Unit and the secondary responsibility would be with the Risk Unit.

8.8 Credit Recovery

Credit recovery procedures will be implemented to manage non-performing loans (NPLs) and minimize losses. This includes:

- Early identification of potential NPLs.
- Implementation of recovery strategies, including restructuring and legal action.
- Regular reporting on recovery efforts and outcomes.

The primary units responsible for adherence to the above would be the Collections and Business unit and the secondary units responsible would be the Credit, Credit Monitoring & Risk Units.

9 Customer Segment

RAR Fincare Limited's customer segment is primarily segregated basis the target borrower segment. RAR Fincare Limited operates in the following verticals/customer segments:

9.1 Financial Institutions:

RAR Fincare Limited extends loans and advances to Financial Institutions, such as Micro Finance Institutions, NBFCs, HFC's , Section 8 Companies and trust. This activity helps in redistribution of financial resources within financial sector, promoting liquidity and financial stability.

9.2 MSME

RAR Fincare Limited extends financial support to Micro, Small, and Medium Enterprises (MSMEs). This lending activity involves offering various types of loans and financial products tailored to meet the specific needs of MSMEs, which often face challenges in accessing traditional bank financing.

9.3 Corporate

RAR Fincare Limited on a selective basis supports large corporates to tide over their temporary funding mismatches.

9.4 Commercial Vehicle Loans

RAR Fincare Limited extend loans to borrowers, usually self-employed individuals, trusts, partnership firms, Private Limited, Public LImited etc., for the purchase of vehicles for commercial or business purposes.

9.5 Retail Loans

RAR Fincare Limited extends loans to individual borrowers to meet their personal consumption requirements. Typical Loans include Personal Loan, Auto Loan, Consumer durable Loan, Education Loan, Home Loan, Home Improvement Loan and Loan Against Property.

The norms of underwriting the above loans are detailed in Annexure – "Underwriting Norms"

10 Products

10.1 Receivable Finance

Receivable finance, also known as accounts receivable financing, is a financial solution that allows businesses to access funds tied up in their outstanding invoices. This improves cash flow by converting unpaid invoices into immediate working capital, which can be used by business to meet their liquidity needs

Receivable finance would be ideal for companies having long payment terms or those experiencing rapid growth, as it helps maintain liquidity and ensures smooth operations without waiting for customer payments

10.2 Working Capital Demand Loan

A Working Capital Demand Loan (WCDL) is a short-term loan designed to help businesses manage their day-to-day operational expenses. These loans are particularly useful for businesses that experience seasonal fluctuations in revenue or need immediate funds to cover costs such as payroll, rent, and utility bills or require funds to procure seasonal raw materials.

10.3 Warehouse Receipt Finance

Warehouse receipt finance is a type of inventory financing where businesses use warehouse receipts as collateral to secure loans. These receipts are issued by warehouses and serve as proof that the goods are stored and meet specific quality and quantity standard. The goods stored in the warehouse act as collateral for loans.

10.4 Term Loans

A Term Loan is a versatile financing solution designed to meet various business needs, including capital expenditure (CapEx), working capital, bridge financing and onward lending. This loan provides businesses with the necessary funds to support growth, manage day-to-day operations, and bridge short-term financial gaps.

Any New Product offering shall be launched only after due approval from Board or such subcommittee of the Board upon delegation of such authority by the Board.

Scoring Models shall be internally developed, maintained and ensured to be adhered to by Head of Credit.

11 Restrictions & Exclusions

11.1 Lending against collateral of Gold Jewellery/purchase of gold

- RAR would not extend loans against collateral of gold Jewellery directly or indirectly. As a measure of abundant caution, RAR Fincare Limited would also avoid extending loans to NBFC's, whose portfolio constitutes > 10% loans against collateral of gold jewellery
- RAR shall not grant any advance against bullion/ primary gold and gold coins; and shall not grant any advance for purchase of gold in any form, including units of ETFs and gold mutual fund

11.2 Lending against security of own Shares

No exposure will be taken against RAR Fincare Limited ("the Company" / RARFL) own shares i.e. the company will not grant any loan/ advance/ overdraft or any other credit facility by whatever name, against its own shares. No exposure on partly paid shares or shares held in dematerialized form shall be considered.

11.3 Guidelines on Exposures

These exposure norms are intended to align the loan / investment amounts to extant regulatory guidelines, repayment capacity /servicing ability of the borrower, spread the exposures over a large number of borrowers/ entities and to contain the impact of market, economic and other movements on the portfolio.

- Exposure means and includes both funds based and non -fund based facilities.
- No exposure will be taken against RAR Fincare Limited ("the Company" / RARFL) own shares i.e. the company will not grant any loan/ advance/ overdraft or any other credit facility by whatever name, against its own shares. No exposure on partly paid shares or shares held in dematerialized form shall be considered.
- Shares issued by the Company will not also be accepted either as primary or collateral security for any other facilities granted by the Company.
- Granting loans and advances to directors, their relatives and to entities where directors or their relatives have major shareholding.
- Granting loans and advances to Senior Officers of RAR Fincare Limited/Company
- As per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time. While the extant regulations permit the Board to stipulate SBL/GBL, RAR as prudential measure will be guided SBL/GBL as stipulated by the regulator for Middle Layer NBFC's
    - **Concentration of Credit / Investment -** The extant credit concentration limits prescribed for NBFC separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower / party and 40% for single group of borrowers / parties. Further, the concentration limits shall be determined with reference to the NBFC's Tier 1 capital instead of their Owned Fund.
    - RAR Fincare Limited in the interest of diversifying risk has conservatively decided to adopt Single Borrower and Group Borrower Exposure limits as under:
        - Single Borrower Limit: INR 10 Crore
        - Group Borrower Limit: INR 20 Crore

      The Company in the normal course of business shall not have exposure of more than INR 5 Crore for Single borrower. However, in case of exceptional business interest the

Company may increase the single borrower exposure within the limits specified herein above upon getting unanimous approval from any one Non-Executive Director and two Independent Directors and the said decision shall be placed in the immediate next meeting of the Board of Directors for its noting thereon.

- RAR may on an exception basis exceed the above prescribed Single Borrower Limit/Group Borrower Limits however subject to the overall ceilings stipulated by Reserve Bank of India for Middle Layer NBFC's. However, the said deviation in exposure shall be taken based on approval from Board.

- The Company shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in their debtor company. If an AIF scheme, in which the Company is already an investor, makes a downstream investment in any such debtor company, then the Company shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. In case the Company are not able to liquidate their investments within the above-prescribed time limit, they shall make 100 percent provision on such investments. Further, , investment by the Company in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction from capital funds of the Company.
- RAR shall not be a partner in any Partnership firm or LLPs.

11.4 Sensitive Sector Exposure

Exposure to Capital Market (direct and Indirect) and Commercial Real estate shall be reckoned as sensitive exposure to the company.

- A ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO). LTV would be restricted to 50% of the issue price.
- Commercial Real Estate funding can be undertaken not exceeding Single/Group Exposure Limits at management discretion (CEO)

11.4.1 Loans against Shares

RAR being an NBFC categorized in 'Base Layer' as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, may lend against the collateral of listed shares only and shall:

- maintain a Loan to Value (LTV) ratio of 50 percent for loans granted against the collateral of shares. LTV ratio of 50 percent is required to be maintained at all times. Any shortfall in the maintenance of the 50 percent LTV occurring on account of movement in the share prices shall be made good within 7 working days.
- in case where lending is being done for investment in capital markets, accept only Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003, issued by SEBI as amended from time to time) as collateral for loans of value more than ₹5 lakh, subject to review by the Reserve Bank.
- report on-line to stock exchanges on a quarterly basis

11.5 Digital Lending

- Default Loss Guarantee ("DLG") from Digital Lending Service Provider to RAR be restricted to 5% of the loan portfolio
- DLG can be in the nature of deposit, lien marked deposit or a bank guarantee from a scheduled commercial bank.
- Invocation of DLG to be within 120 days.
- The Period of DLG to be not less than the longest tenor of loan in the underlying loan portfolio being guaranteed
- Prudential norms on income recognition, asset classification and provisioning shall be applicable on the underlying loans in the portfolio, irrespective of availability of DLG cover. In cases where RAR act as LSPs and provide DLG cover, the RAR shall deduct the amount of DLG cover from its capital.
- To improve transparency and disclosure on such arrangements, RAR shall ensure that LSPs disclose the number of DLG portfolios along with respective amount of DLG cover on their website.

11.6 Negative List

11.6.1 Negative Customer Segment

Necessary caution or restrain from lending to the below category of customers as may be applicable. In special cases, approvals may be appropriately obtained.

Negative List	• List of Terrorist Individuals / Organizations- under UNSCR 1267 (1999) and 1822(2008) on Taliban /Al-Qaida Organization • RBI Defaulter List • Under world Connection/ Terrorist/ Smuggling • Any person where it is not possible to collect or repossess due to violence / danger to field staff. • Cine Artists • Unlawful entertainment and recreation centres • Gambling and gaming business • Policemen • Politicians/Person residing in community dominated or Politically sensitive areas • Liquor and Wine Business • Trade Union Officials • Meat business (Chicken / Mutton shops) • Commission agent without visible stocks and commission not credited in bank account • Production or trade in any product or activity deemed illegal under Indian laws or regulations or international conventions and agreements, or subject to international bans

	• Production or trade in weapons and munitions. • Production or trade in alcoholic beverages (excluding beer and wine) Gambling, casinos and equivalent enterprises • Business involved in the production, processing or distribution of illegal drugs • Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment the radioactive source to be trivial and/or adequately shielded. • Production or activities involving harmful or exploitative forms of forced labour / harmful child labour • Production or trade in weapons and ammunitions • Commercial logging operations for use in primary tropical moist forest • Production or trade in wood or other forestry products other than from sustainably managed forests • Individuals or businesses involved in illegal activities • Any other profile that is identified locally **For any deviation in the above list, Only CEO has the discretion to consider Loan on a case-to-case basis.**

11.6.2 Negative Geographies

Necessary caution or restrain from lending to applicants who have their residence or place of business in the below geographies. In special cases, approval may be requested based on approval from CEO

Negative Geographies
Prone to terror attacks
High occurrence of criminal and narcotic activities
Communally volatile
High political exposure
Extremely poor connectivity
Property in Place of worship and belongs to (Temple or Wakf Board or Church property)
Grey and Black listed Countries by FATF

12 Credit Bureau & other due diligence

- Credit Bureau reporting shall be done to all the Credit Information companies as may be advised by the regulator from time to time and credit check on the borrower shall be done with at least one credit bureau.
- Obtention of comprehensive credit information, which provides details pertaining to credit facilities already availed by borrower as well as his payment track record, is a crucial part of the credit appraisal process.

- All borrowers' / co-applicants' and guarantors' credit bureau reports shall be generated while processing the loan application. In case of loan to Companies, credit bureau check shall be performed on the company and its directors /trustee/ proprietor/partner
- RAR Fincare Limited uses Probe 42 reports to assess the borrower credit profile.
- RAR Fincare Limited shall also conduct an internal de dupe

13 Know Your Customer Norms

- Know Your Customer (KYC) policy is an important step developed globally to prevent identity theft, financial fraud, money laundering and terrorist financing. The objective of KYC is to enable financial institutions to know and understand their customers better and help them manage their risks prudently besides being able to serve the customers better.

- KYC is a regulatory and legal requirement and KYC policies are framed duly incorporating the key elements following the Reserve Bank of India's directive such as Customer Acceptance Policy, Customer Identification Procedures, Monitoring of Transactions and Risk management.

- RAR Fincare Limited is committed to follow diligent KYC standards and this is an essential pre-requirement for on boarding the customers. RAR Fincare Limited shall align with the KYC standards as prescribed by the RBI and other relevant external agencies. RAR Fincare Limited has a well defined KYC & AML Policy and will be guided by the same.

- RAR Fincare Limited shall also conduct checks on its borrowers as per the UN Sanctioned List and as per RAR Fincare Limited internal KYC & Anti Money Laundering policy and shall do risk categorization of its clients.

14 Security/collateral Charge creation

- Security creation shall be completed before disbursement wherever it is applicable as per sanction. Additional time for security creation if any required (including takeover cases), shall require the prior permission of the Sanctioning Authority.

- In case of registered companies, Registration of Charge (ROC) is mandatorily filed within 30 days of loan disbursement

- Status of completion of security creation in such cases shall be followed up and monitored by the Credit Administration Department & Credit Monitoring Department to ensure timely compliance.

- The Borrower and/or the Security Provider shall also bear all the tax, toll, duties levies, cess or any other tax as may be imposed by the Central Government, State Government, judicial, quasi-judicial or any municipal authorities, which may be chargeable on the Secured Property and if such tax, toll, duties levies, cess is paid by RAR Fincare Limited, the Borrower shall also be liable to reimburse all such taxes, tolls, duties, levies, cess etc. to RAR Fincare Limited

- In case of Mortgage additionally the following to be adhered to :

  - Legal opinion on title clearance from RAR Fincare Limited's empanelled advocate or legal scrutiny from a bank empanelled advocate acceptable to RAR Fincare Limited certifying that the title to the property is clear, unencumbered and marketable
  - Valuation report from our empanelled/ bank empanelled Valuer/ Chartered Engineer. It should be ensured that the value compares well with the valuation accepted in the appraisal note. Valuation shall be carried out as a part of the credit appraisal and cost is to be recovered from the borrower up-front.
  - Draft deed is to be approved by legal in all cases and is to be vetted by the internal/empanelled legal counsel before registration. Post registration, Credit department shall ensure that the Registered Deed is as per the draft deed vetted by the legal team
  - Mortgage to be registered with respective Registrar office wherever applicable

- Agricultural Land with proper road access may be taken as security at the discretion of the management.
- Wherever applicable adequate insurance to be in place for assets offered as security to RAR Fincare Limited. If applicable the said insurance to be duly assigned to RAR Fincare Limited.
- Valuation and Legal Opinion would be in line with RAR's Legal evaluation and valuation policy.

15 Interest Rate and Pricing

- Interest Rate structure on loans will be dependent on factors such as cost of funds, margin, risk premium, tenor premium etc. will fully be governed by RAR's Interest Rate policy.
- RAR Fincare Limited will also levy other fees and charges like Processing fees, documentation charges, Penal charges, prepayment charge, foreclosure charges and other charges like legal expenses (for title search), valuation report and mortgage creation, as applicable

16 Sanctioning Authority

The delegation of powers establishes the maximum Group Exposure that can be sanctioned by designated authorities.

Product	Credit Committee	Promoter Director	CEO
Loans Secured by Fixed Assets	Above INR 10 Crore	Up to INR 10 Crore	Up to INR 2 Crore
Loans Secured by Moveable Assets	Above INR 5 Crore	Up to INR 5 Crore	Up to INR 1 Crore
Loans Secured by Current Assets	Above INR 5 Crore	Up to INR 5 Crore	Up to INR 1 Crore
Unsecured Loans	Above INR 5 Crore	UP to INR 5 Crore	Up to INR 1 Crore

Any deviation to RAR Fincare Limited defined Single Borrower Limits/Group Borrower Limits, would require Credit Committee's approval, subject to not breaching the regulatory Single Borrower and Group Borrower Limits.

Any deviation to sanction terms, not in dilution of original sanction term can be approved by CEO & COO jointly.

16.1 Deviation Approval Process

Deviation Approval Process:

1. **Initial Review:** Any deviation request is first reviewed by the immediate supervisor or manager.
2. **Secondary Review:** If the immediate supervisor is not authorized to approve, the request is escalated to the next level of management within the same vertical.
3. **Final Approval:** The appropriate approving authority viz, such as the department head, COO, CEO, MD , authorized Board Sub Committee or Board provides the final approval as may be applicable.
4. **Documentation:** All approvals must be documented and recorded for future reference.

17 Collection Management Policy

17.1 Introduction

This policy highlights processes to be followed by RAR Fincare for the collection of its lending products – MSME Finance and Onward Lending. Collections constitutes an important vertical of RAR Fincare and collection policy will ensure that risk exposure on its portfolio are well managed.

RAR Fincare intends to adopt a collections strategy that appears to the defaulter to be regular, consistent and firm in demanding the repayment of overdue payment. At the same time, the organization should be considerate towards the situation of its customers.

17.2 Objective

- Keep the unit abreast with the latest developments in market and on the legal side
- Ensure that the customer is valued, even as the unit strives to enforce terms of the contract
- Positively influence customers on the need to maintain prompt payment habits
- Minimize portfolio delinquencies
- Minimize credit losses
- Optimize expenses incurred on the collection exercise through smart use of strategies
- Provide feedback on the credit policy from the collection experiences, which can be used by the credit department in formulating future policies
- Assist in maintaining the optimum levels of provisions on the portfolio

17.3 Customer Profiles

The basic premise of lending remains that most customers intend to repay their debt. This intention is dependent on their ability to pay and on changes in their financial commitments. From a collection perspective, customer profiles can be divided into the following:

- Customers who pay promptly
- Customers who are late – these customers do pay, but are late quite often
- Customers facing financial hardship (leveraged, family emergencies etc.)
- Customers who are intentional defaulters

For these different types of defaulting customers, Collections department needs to use different strategies as appropriate.

17.4 Delinquency Classification

A loan will be classified as 'past-due' if the repayment is not received on the due date.
Non-Performing Asset (NPA) is that loan where "the principal or interest payment has been overdue for a period of 90 days or above".

17.5 Loan Restructuring

17.5.1 Guidelines

Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / the amount of instalments / rate of interest.

16.5.2 Identification

Before a loan account turns into Non-performing assets (NPA) as per RBI framework, RAR Fincare will identify incipient Stress in account by creating three sub categories under the categories given in the table below:

Classification	**Basis of classification**	**Category**
DPD 1-5	Principal or interest payment overdue between 01-05 days	SMA – 0
DPD 6-30	Principal or interest payment overdue between 06-30 days	SMA – 0
DPD 31-60	Principal or interest payment overdue between 31-60 days	SMA – 1
DPD 61-90	Principal or interest payment overdue between 61-90 days	SMA – 2

On the basis of the above early warning signals (EWS), the Company will consider the stressed account for purpose resolution of stress within 10 working days for a suitable Corrective Action Plan (CAP) for disposal by delegated authority. In the course of drawing resolution plan the restructuring of advance is to be suitably considered. The accounts identified should be examined for Corrective Action Plan (CAP). However, the cases, where it has been decided the option, of recovery under CAP instead of rectification or restructuring, should be referred, to the CEO for his / her concurrence.

17.5.3 Identification by the Borrower Enterprise –

Any borrower may voluntarily initiate proceedings under this framework, if the enterprise reasonably apprehends failure of its business or its inability or likely inability to pay debts or there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year, by making an application to the Company. When such a request is received by the Company, the account should be examined by Credit Manager at the earliest but not later than, five working days from the receipt of the application, to examine the account for a suitable CAP.

16.5.4 Application for a Corrective Action Plan (CAP)

The Company, on identifying an account as due or suitable for consideration under the framework or on receipt of an application from the stressed enterprise, shall evaluate the proposal to decide suitable CAP. In event of restructuring, the proposal should be processed immediately and to be placed before Credit Manager for sanction. The operations Manager should carefully evaluate it (including a field visit) and form a decision on restructuring only after the approval is received from the CEO. The application form should be submitted by the borrowers along with the following:

- Latest accounts (audited or CA certified) of the Enterprise including its Net worth
- Details of all liabilities of the enterprise
- Nature of stress faced by the enterprise; and suggested remedial actions

Credit Manager shall examine the list of creditors for authenticity and determine the total liability of the Enterprise in order to arrive at a suitable CAP.

Upon finalization of the terms of the corrective action plan, the implementation of that plan shall be completed by the concerned within 30 days (if the CAP is Rectification) and within 90 days (If the CAP is restructuring). In case recovery is considered as CAP, the recovery measures should be initiated at the earliest.

17.5.5 Options Under CAP

17.5.5.1 Rectification: -

Obtaining a commitment, specifying actions and timelines, from the borrower to regularize the account so that the account comes out of Overdue Account status or does not slip into the Non-Performing Asset category and the commitment should be supported with identifiable cash flows within the required time period and without involving any Ioss or sacrifice on the port of the existing lenders. The rectification process should primarily be borrower driven and no further funding will be allowed from RAR Fincare.

17.5.5.2 Restructuring: -

Consider the possibility of restructuring the account, if it is prima facie viable and the borrower is not a wilful defaulter, i.e., there is no diversion of funds, fraud or malfeasance, etc. Commitment from promoters for extending their personal guarantee along with their net worth statement supported by copies of legal titles to assets may be obtained along with a declaration that they would not undertake any transaction that would alienate collateral security without the permission of the RAR Fincare. Any deviation from the commitment by the borrowers affecting the security or recoverability of the loan may be treated as a valid factor for initiating recovery process.

17.5.5.3 Recovery: -

Once the first two options above are seen as not feasible, due recovery process may be resorted to. The branch may decide the best recovery process to be followed, among the various legal and other recovery options available, with a view to optimizing the efforts and results. At this level, a senior executive from the HO will be involved in finalizing the recovery process.

17.5.6 Prudential Norms on Asset Classification and Provisioning:-

The accounts classified as 'standard assets' should be immediately re- classified as 'sub-standard assets' upon restructuring.

The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per asset classification norms with reference to the pre-restructuring repayment schedule.

Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the NBFC should be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during in the next one year, i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period.

In case, however, satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

The provisioning norms shall be followed as prescribed in the RBI Scale Based Master Directions (SBR)

17.6 Loan Settlement

17.6.1 Guidelines for compromise settlements

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

- That all possible expedient steps to recover the dues have been taken and there are no further prospects of recovering the debt and that the settlement proposal is in the larger interest of the company
- The company may enter a compromise settlement with willful defaulters/fraudulent borrowers without prejudice to the criminal case against the borrower and those cases of compromise settlement should be approved by the Credit Committee as per recommendation from the CEO/COO/CFO of the Company.
- While entering compromise settlements in NPA accounts, the NBFC shall ensure that the Net Present Value (NPV) of the settlement amount should generally not be less than the net present value of the realizable value of securities

17.6.2 Category of Assets for Compromise

As per the prudential norms, NPAs are classified into different asset categories viz., Substandard, Doubtful and Loss assets. Thus, this policy aims to frame guidelines to undertake compromises in all the three asset categories including accounts, which were technically written-off.

- **Sub-standard Assets** In justifiable cases, RAR Fincare can entertain/approve compromise proposals with a reasonable sacrifice, where security deterioration is likely to happen or borrowers have incurred genuine business losses. However, the account should have been classified as Sub-standard assets as at the end of the previous quarter. However, in cases where the provisions of SARFAESI Act cannot be invoked like in case of NPA accounts with outstanding balance of Rs.1.00 lac and below or where there is no enforceable security or security offered is agricultural lands etc., compromises can be entertained as per the guidelines immediately on classification of account as NPA. Moreover, where there is a loss of security charged to the NBFC on account of natural calamities such as floods, earthquakes, riots, civil commotion, strikes, fire accidents etc., acquisition of securities by the Government agencies and similar other circumstances, which are beyond the control of the borrower, Competent Authority can entertain/approve compromise proposals with a reasonable sacrifice. Consequent to the issue of notice under SARFAESI Act and taking possession of securities etc., if the borrower comes forward for a compromise settlement, in justifiable cases, compromise can be entertained.

- **Doubtful and Loss Assets** Both doubtful and loss assets are chronic NPAs by nature as the chances of recovery in these accounts are remote/bleak. Continuation of these assets necessitates provision of substantial amounts, which will have a direct bearing on the profitability of the NBFC. As a measure to recover the dues out of this category of assets, compromise settlements can be preferred. The decision on when to consider the compromise opportunity in order to maximize recovery will be taken by the Branch Manager with approval from Operations Manager.

- **Technical Written Off Accounts** The write off is only technical in nature and purely for internal accounting purpose only. The spirit behind the write off is transparency and reflecting the true picture of the health of the NBFC in an attempt to clean up the Balance sheet of the NBFC. The write off is without prejudice to our right to recover dues from the borrower. Some of these accounts are backed by sufficient tangible securities and NBFC has filed suit to recover the dues. As the settlement of cases through legal process is time consuming, branches may prefer negotiated settlements for early recovery of dues, under these guidelines The summary of compromise settlements and technical write-off shall be tabled to the Board on a periodic basis.

17.6.3 Realizable Value and Marketability of Securities Charged to the NBFC

Present value of the primary and collateral securities, held by the company for the advances, should be carefully assessed on a conservative basis. RAR Fincare should not purely be guided by the engineer's valuation taken at the time of allowing the advances. It should ascertain the realizability of securities in letter and spirit, while arriving at the value thereof. This will have a bearing on the settlement amount. If, there is wide variation between the value taken at the time of loan sanction and the present realizable value, explanation should be provided and considered as to reasons therefor.

Properties of huge value, though equitably mortgaged to RAR Fincare, are at times difficult for enforcement even through the process of law, in view of several practical impediments. The company should look into this aspect and the reasons for the difficulty in enforceability of securities should be duly explained while recommending/considering the proposal. Net Present Value of the realizable value of the securities should be used as a benchmark for negotiating the compromise settlement.

While dealing with the settlement proposals of loss asset, overriding consideration will be aggregate worth and perceivable means as per market enquiries of the borrower(s) and the guarantor(s). It should be kept in mind that any recovery under loss asset is a clean profit to the NBFC since, the entire outstanding is provided for.

17.6.4 Settlement Proposals from Guarantors

There are cases, where Guarantors in NPA accounts come forward with settlement proposal so that they can seek release of their guarantees/securities or discharge them from payment of NBFC dues. Such proposals from guarantors should be treated on par with proposals received from Borrowers.

17.6.5 Criminal Proceedings/ Cases by Investigating agencies:

In accounts where criminal action is initiated or matter is under investigation by an investigating authority such as Central Bureau of Investigation etc., without prejudice to such proceeding/s action, RAR Fincare will be at liberty to enter a compromise/settlement in such accounts purely on commercial consideration, but only after making an intimation to the controlling authorities and the investigating agency. If RAR Fincare initiates the criminal proceedings, it will be open to the company to pursue or not to pursue the case depending upon the circumstances of each case. But, decision in that behalf shall be taken by the Chief Executive Officer of RAR Fincare.

Wherever the borrower has filed any case, or counter claim against RAR Fincare, and in such a case, a compromise/settlement is sought to be made, it should be made a condition of the settlement that the borrower would withdraw the suit/case, or counter claims as the case may be, and that in future also no claim will be raised against the company.

RAR Fincare may enter into compromise settlement with willful defaulters/fraudulent borrowers without prejudice to the criminal case against the borrower and that such cases of compromise settlement should be vetted by Board of Directors of the company.

RAR Fincare to adhere to the following while entering into compromise settlement with accounts involving fraud: -

- If there is any case where a person has obtained loan from the NBFC by making fraudulent representation or otherwise committing any fraud, as far as possible, efforts should be made to recover the entire amount of the loan. This is necessary to ensure that a person committing fraud is not allowed to benefit from commission of such fraudulent acts
- In spite of the above basic policy requirements, there will be cases where it is not possible to recover the full amount and the borrower is coming forward to offer settlement. While negotiating the offer, it must be made clear that recovery of the loan taken by the borrower and the criminal action for the fraud committed by him are two separate and distinct matters. It should be clarified at the outset that if the settlement proposal as given by the borrower is accepted, such settlement will relate only to the recovery proceedings and shall not automatically in any way affect the criminal action taken by RAR Fincare, which shall continue. However, in some cases decision to withdraw criminal case is decided by the company, if any, on settlement
- It is the practice of Financial Institutions to record the terms and conditions of the settlement in a consent order to be obtained from the Court or DRT. In such consent orders, a specific clause should be incorporated stating that the settlement agreed between the parties shall not in any way affect going criminal cases/proceedings pending in the Court against the borrowers
- The Officers/employees who are required to appear as witness in the criminal proceedings should be advised that although RAR Fincare has accepted the settlement proposal given by the borrower, there is no settlement regarding the criminal proceedings initiated against the borrower. Such officer or employee should be advised to make this position clear when he is examined as witness in the criminal proceedings

Approval for Loan Settlements Type of waiver	**Approval required from**
Waiver of penal Charges	CEO/COO
Waiver in interest by 25% or more	Board of Directors
Waiver in interest by <= 25%	CEO/COO
Waiver in principal by 10% or more	Board of Directors
Waiver in principal by <= 10%	CEO/COO

17.6.6 Terms of Compromise

While considering compromise settlement in NPA accounts and Technically written off accounts, the following concessions could be considered as possible sacrifice by the NBFC considering each and every individual case, outstanding period as NPA/suit, present financial position, availability/non-availability of tangible security, their value, enforceability and opportunity cost of funds (This list is only indicative. Terms of compromise shall be decided by appropriate authority on a case to case basis): -

- Waiver of extra/penal charges could be a simple solution and can be termed as good settlement from RAR Fincare's point of view
- Realizing the full outstanding as per the books of the branches plus reasonable interest with effect from the date of NPA or from the date of filing suit
- Waiver of interest being the difference between negotiated rate and the contracted/debited rate from the date of advance
- Waiver of interest charged after the date of becoming NPA or the date of suit filing
- Full waiver of the interest from the date of advance
- Only in exceptional cases, remission/write-off part of the principal dues

17.6.7 General and Operational Principles for compromise and settlements

- RAR Fincare 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 the company will endeavor to recover its dues to the maximum extent possible, with minimum sacrifice. However, it is recognized 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
- An initial deposit of 10% - 20% of the amount should be taken from the borrower as evidence of his intention to pursue the compromise settlement with the NBFC. In case this is not possible, a waiver should be sought specifically in the approval note by way of deviation which should be approved by the CEO
- In case the borrower has other group companies, influence of these companies or the parent company may be used for a better settlement and/or for getting additional security, pending realization of the entire amount of compromise
- It will be the endeavor of RAR Fincare to get the entire compromise amount within three months from the date of settlement. Where the period of settlement exceeds 3 months and the amount is agreed to be recovered in instalments, as far as possible, a certain portion of the amount say 15% to 25% may be made payable upfront on a best-efforts basis, with balance in instalments spread over reasonable period considering source of repayment
- At the time of One Time Settlement negotiation when OTS amount is proposed to be paid in instalments seriousness and preparedness of the borrower to honor OTS commitments shall be considered
- In the case of suit filed account if need be and if practical, the terms and conditions of settlement should be finalized and consent decree from the court should be obtained

- In case of non-receipt of the committed compromise amount as per the terms of the settlement, the recovery proceedings already initiated before the settlement shall be continued
- The Authority who had approved the compromise settlement earlier may consider the modification in the terms of the settlement
- In compromise settlements/write off the amount of sacrifice will be determined regarding balance/dues as on the 'settlement date' which shall be indicated in the compromise settlement/write off proposals

Wherever OTS amount is funded by other NBFCs/Financial Institutions/NBFCs/SC/RC, RAR Fincare may assign the debt/ securities in their favor.

17.7 Staff Accountability

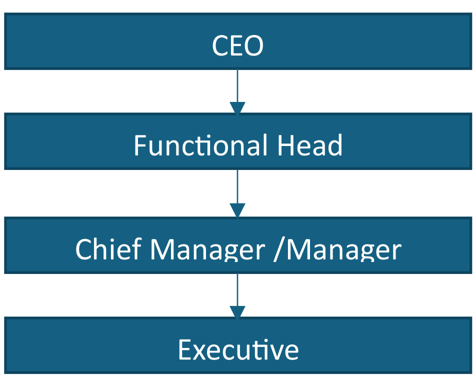
An external party would objectively audit all account that were settled / written-off and check reasons towards the same. If any particular staff(s) is found to have done malpractice or made lapse in conducting his / her responsibilities, then he / she would undergo any of the following actions depending on the gravity of his / her malpractice / lapses: -

- Downgrading
- Becomes ineligible for promotion for a number of years as decided by the management
- Becomes ineligible for next year's increment
- Suspension / Termination of employment

The exact action would be recommended by the CEO to the BoD after consulting with the external auditor / concerned department heads.

17.8 Collection Process

17.8.1 Structure of Collection Vertical



17.8.2 Roles and Responsibilities – Collection Team

- **Functional Head:** Responsible for overall collections of the portfolio.
- **Manager :** Responsible for overseeing the collections and activities of collections executives of the concerned branch.

- **Executives:** Executives will be responsible for meeting various customers and collecting overdue amounts from them. Collections executives will be responsible for collections of the respective branches assigned to them. Each executive will be expected to handle ~100 accounts

17.8.3 Modes of Collection

Collections can be driven either through in-house collections or use of external agencies. The collections team of RAR Fincare would drive the approach and will be supported by external agencies for certain cases (if needed).

17.8.4 Collection Methodology

- Communication with customer through SMS/Email/WhatsApp
- Communication with customer through tele-calling
- Personal visits by collections executives, branch manager or any other persons authorized by RAR Fincare
- Intimation to the co-borrowers and guarantors at appropriate time/stage of the collections process
- Legal action against the borrower/co-borrower/guarantor following appropriate procedure
- Repossession and sale of assets financed by RAR Fincare or hypothecated/mortgaged/pledged to RAR Fincare

17.8.5 Collection Activities Based on DPD

A MIS list needs to be created at a suitable interval. The list considers the following inputs

- Customers whose payments are not done on due date
- Customers who has not responded to previous communication and have not provided a promised to pay date

17.8.5.1 Pre-DPD Collection follow up process

In order to ensure smooth processing of repayments, the key steps to be taken are listed below.

S. No	Collection Milestones	Activities	Responsibilities
1	7 days before due date	Email/ SMS alerts to customers reminding them of the obligations	Automated - System Generated
2	Repayment Due Date	Email/ SMS alert to customers reminding them of the repayment details	Automated - System Generated

17.8.5.2 DPD 1 -5 Collection follow up process

S. No.	Collection Milestone	Activities	Responsibility
1	1-5 days past due date	• Oral communication to be sent to customers by Collection Executive and obtain a promise to pay date (PTP) • Also, ascertain the mode of payment – Cheque / deposit at branch / Fund transfer / NACH • Flag off cases where repayment is doubtful or customer has an extraordinary situation	Collections Executive

17.8.5.3 DPD 6 – 30 Collection follow up process

Follow up call is made to the customers who still fall in 6-30 DPD bucket who have not made the payment post the next promised to pay date (if it falls before 30 DPD).
In parallel, the branch collections executive will aggressively follow up with customer in person.

Sr. No.	Collection Milestone	Activities	Responsibility
1	5-29 days past due date	Personal visits by collections executive	Executive
2	30 days past due date	Reminder letter to be sent under Registered post to the borrower. Copy of letter to be marked to Guarantors.	Executive
		Review of account to ascertain exact amount due from the borrower and confirmation of legal documentation (Day 30)	Manager

17.8.5.4 DPD 31-60 Collection follow up process

Communication is through direct customer visits by manager.

Sr. No.	Collection Milestone	Activities	Responsibility
1	31-60 days past due date	Follow up with the client on phone/ site visit to the customer's office/ factory premises A communication should be sent to the guarantor informing him of the default by the borrower of the loan and calling upon	Manager

		the guarantor to ask the borrower to make the payment.	
		On 45 DPD, communication should be sent to the guarantor informing him of the continued delay by the borrower and Inform the guarantor that if the borrower does not pay the amount within 7 days, RAR Fincare would invoke the guarantee and call upon the guarantor to make the payment.	
		Letter of intimation for default to be sent to other Bankers of the customer	

17.8.5.5 DPD 61 – 90 Collection process

Collection efforts for cases falling in this DPD bucket should be directly monitored by the Operations Manager on a regular basis.

Sr. No.	Collection Milestone	Activities	Responsibility
1	61-90 days past due date	Personal visits to the customer by Functional Head and Manager	Manager/Functional Head in consultation with CEO and Legal Advisor
		Review of collection efforts by Functional Head. Step up efforts as required.	
		Explore restructuring options (only for customers with strong financials and general good conduct. There should be no history of cheque returns and no overdues in last 2 years) The option restructuring can be considered earlier if the Branch Manager or customer proposes the same	

17.8.5.6 Beyond 90 days DPD Collection Process

Beyond 90 DPD, the loan account is marked NPA. Collection efforts for cases falling in this DPD bucket should be directly monitored by the CEO on a regular basis

Sr. No.	Collection Milestone	Activities	Responsibility
1	>90 days past due date	If review of collection efforts is unsatisfactory, send legal notice to customer and explore the possibility of recovery through legal methods (as per standard guidelines)	Functional Head, Manager along with Legal advisor
		Explore possibility of utilizing external collection agencies	Functional Head and Manager
		Invoking Personal Guarantees obtained from Promoters/Stake Holders	Functional Head & Legal Advisor.

Customer account details is to be reported to CREDIT BUREAU REPORTS and other credit bureaus on a fortnightly basis

17.8.6 Customer declining to pay

If a customer is declining to make the payment, procedures as mentioned in the 'Collection Activities Based on DPD' section is to be followed.

17.8.7 Customer disputing debt

A dispute occurs when customer declines the receipt of debt from the NBFC or he doesn't accept any of the terms & conditions (such as ticket size, interest rate, repayment schedule or any other terms of the loan) upon which the loan has been sanctioned & disbursed.

17.8.7.1 Actions from Customer Side

In such circumstances, customer may approach as per the Grievance Redressal Mechanism adopted by the Company.

17.8.7.2 Actions from NBFC Side

When customer disputes a debt, the same should be intimated to Chief Manager Credit immediately. The operations manager should inspect the dispute internally in detail.

- If the dispute happened because of a lapse from RAR Fincare, then the same should be reported to the CEO/COO who would look into the case in detail. Depending upon the gravity of the misconduct disciplinary proceedings would be initiated against employees responsible. The decision and punishment, if any, shall be communicated in writing.

  After a detailed enquiry, the CEO may:

  - Dismiss an employee without notice on the grounds of misconduct
  - Suspend the employee
  - Down grade the employee
  - Impose any other lesser punishment as it deems just and fit

- If the dispute raised by customers is found invalid, then all proofs related to the debt is to be shown to customer (including loan application form, loan sanction letter and loan agreement). If customers still disputes the debt, then RAR Fincare should initiate legal proceedings against the customer

17.8.8 Code of conduct for collection executive

Customer Visit Procedure

Collections Executive should call up the customer and fix a meeting time. First meeting should happen at least once between 6-30 DPD.

The following information should be conveyed:

1. Loan information
2. EMI due date
3. Implications because of EMI default
4. Procedure that RAR Fincare would initiate because of default
5. Penalty and charges information

Information to be collected from the customer include:

1. Reason for default
2. EMI amount along with penal charges if the customer is willing to pay at once (receipt to be provided to the customer at the same time)
3. Next promise to pay date

In all the above-mentioned interactions, if the collections team have been informed of customer's accident or illness or any other genuine reason for non –payment of EMI, the issue should be escalated to branch manager

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Second visit to the customer place should be post the promised to pay date if the customer has not paid the dues yet.

If the customer has defaulted in 2 promised to pay dates, it will be flagged and escalated to operations manager.

Dos and Don'ts

Key Factors	DO's	Don'ts
Appearance and Dress Code	• Well Groomed • Clean & Tidy • Formals	No Chappals or Sandals

Speech	• Introduce yourself with identity card • Use formal address • Tone should be sincere and polite • Decency and decorum to be maintained.	• Do not get tough or aggressive or abusive • Do not lose cool, get angry or irritated irrespective of reason. • Pitch should not be high.
Belongings	• Identity Card / Letter of Authority • Receipt Book	
Ethics	• Fair and ethical in your dealings with customers. • Collections interaction should be based on courtesy, fair treatment and persuasion	• Collector should not make any verbal or written promise to customer without Supervisor / NBFC on matters outside his preview or on product features • No personal dealings with customers
Information and Confidentiality	• Present only the customer information required in an orderly fashion • NBFC to keep records of interactions with the customer	• Unauthorized information written or verbal cannot be divulged to any customer / competitor / any other person. • No information of one customer to be shared with other customers.
Process Product Discipline	Collectors will perform their role within the framework of the instructions issued to them in terms of process manuals and specifies of collection procedure based on the product	
Maximize Effectiveness	Collectors will strive to maximize the effectiveness of the visits by pre-visit preparation and result orientation in order to improve result.	
Timing	• Earliest: 0700 hrs. • Latest: 1900hrs.	

17.8.9 Exception handling

17.8.9.1 No response over phone / Phone out of order

- The Executives of RAR Fincare should try to reach the customer through alternate contact numbers (residence landline / office landline / alternate cell phone number)
- The Executive of RAR Fincare should try to make 4 calls to the customer in a day in all the numbers given, in an interval of 2 hours each. At each call, the executive should make a note of the same in the follow up sheet (listing the number called, date and time)
- The executive should repeat this task for two days. If the contact is still not established over phone, a field visit must be undertaken the very next day.

17.8.9.2 Customer out of station

- The customer must be reached through the cell phone and should be asked for the date when he would be back
- If he is going to be back within 3 – 7 days, an attempt should be made to take a promised to pay date within one day of return.
- The PTP date should be entered on a log
- If the customer is going to be away for a longer period, alternatives should be explored with the customer
    - The customer should be requested to make payment via online methods (NEFT)
    - The customer should be requested to authorize any of his employees to make payment on his behalf
    - If his family/co-borrower/guarantor is in town, the customer should be requested to make arrangements for the payment via them
    - If the customer is in a location serviced by RAR Fincare, he should be told that a RAR Fincare representative in that location would visit him to collect the payment. The collections team should coordinate with the local branch to arrange for collection of payment.
    - The customer must be requested to send across the cheque by registered post
- A PTP for payment through any of the options mentioned here should be taken
- If the customer insists that he can only make the payment on his return, the date of his return must be ascertained and recorded in the system
- The customer's residence and office must be visited and attempt made to reconfirm the date of customer's return
- If the absence gets prolonged, the case should be referred to a skip-tracing agency.

17.8.9.3 Death

Death of a customer is an unfortunate event and such occasion needs to be attended to with the sensitivity that it deserves.

- When the information of death is known, the customer file should be pulled out and studied again paying attention to following information
    - Other co-applicants in the case and their income sources
    - Whether all the Post-Disbursal Documents required in the case have been collected.
    - Life insurance if any that has been assigned in favour of RAR Fincare

- RAR Fincare representative (collection executive) should visit the co-applicant to the loan and express condolences on customer's death
- Where there is no co-applicant to the loan, the visit should nevertheless be made to meet another household member of the customer
- The ideal time of visit to the co-applicant is at least 20 days after the death of the customer.
- In the first visit post death, only the following should be done:
    - Express condolences of customer's death
    - Inform the person visited that a representative of RAR Fincare would after a few days come and give them the details of the loan availed by the customer from RAR Fincare
- In the next visit, which should be made by Branch Manager about 5 days after the first visit, the details of outstanding loan should be given. In that meeting, a future plan for payment of instalments must be discussed.

The options given hereunder should be explored patiently.

- If there is a co-applicant who earns, the possibility of collecting the money from his / her income should be explored.
- Documents for substitution of the entire liability with co-applicant(s) to be initiated.
- If the income of the co-applicant(s) is too little to service the EMI, the co-applicant should be asked if there are any other avenues available from which he / she can service the loan. An option of another household member, who may not be a co-applicant to the loan, but is willing to service the EMIs should be explored.
- If there is a life insurance policy assigned in favour of RAR Fincare, the assignment must be invoked and procedure initiated to recover money from that. This may either satisfy the outstanding loan in full or in part.
- If there is no other avenue available from which the loan can be serviced, RAR Fincare would have no option but to repossess the asset (in case of secured loan)

17.8.9.4 Fraud

If it comes to the knowledge of RAR Fincare that the account that is defaulting is a fraudulent one the following course of action must be adopted:

- The nature of fraud must be clearly established. The fraud could be of the following types:
    - **Customer identity fraud:** The applicant may have forged his identify and intentionally miscommunicated his identity.
    - **Document fraud:** Any of the documents based on which the decision to lend has been taken, is a fraudulent document. The document is found to be tampered with and facts in the document modified with the clear intent to take the loan.
- Once the nature of fraud is established, the same must be brought to the notice of all the people who have been connected with the application, which could include applicant, co-applicants, references and guarantors. Internally, it must be brought to the notice of the branch team and HO team that worked on sanctioning the loan. The legal advisor and collections team should also be notified of such instances.
- Collections team in collaboration with sales team must identify the reason for fraud and try to establish link with the customer who signed the application.

- Legal action should be taken against the applicant

17.8.10 Collection MIS

Management Information System to support collection effort represents the fundamental control in collection management. Branch Managers and Operations Manager need to know the size, growth and performance of their portfolios. In order to allocate adequate resources and develop accurate strategies, MIS needs to be developed and produced regularly. This section provides guidelines to enable collections to manage its portfolio more predictably.

Types of Collection MIS

The following types of collections MIS are necessary for effective collection follow-up, tracking and measuring collection efficiency:

- Daily, Weekly and Monthly Collections Report
- Report on resolution rates

17.8.11 Daily/Weekly/Monthly Collection Report

This report gives the account wise listing of delinquent cases with all the critical details of the account. This is the key report, updated automatically, that should be used by collections teams to do their daily follow up. The next day's actions required for collections should be driven by this report. The system should be configured to generate this report on a daily basis.

17.8.11.1 Resolution rates report

This analysis shows the movement of cases from one bucket in the previous month to various buckets in the current month.

- **Normalisation rate:** Percentage of cases where the money was fully recovered and as a result the account moved to the 'current bucket'.
- **Stabilisation rate:** Percentage of cases where only one EMI was recovered and as a result, the account remained in the same bucket as in the subsequent month.
- **Roll back rate:** Percentage of cases where more than one EMI was recovered and as a result the account moved to one of the earlier buckets in the next month.
- **Roll forward rate:** Percentage of cases where no EMI was received and as a result the account flowed to the subsequent bucket.

These resolution rates would help in focusing collection efforts at the right bucket, thereby help improvement of portfolio delinquency and also in measuring collection efficiency.

17.8.12 ADHERANCE TO FAIR PRACTICE CODE

The Company and its officers shall adhere to the Fair Practice Code prescribed by the Reserve Bank of India and adopted by the Company.

Approved by the Board of Directors in its meeting held on 07 June, 2025

Senior Management – Reviewer	***Senior Management – Approver***	***Custodian***
SD/- ***Chief Risk Officer*** ***SD/-*** ***Chief Financial Officer*** ***SD/-*** ***Company Secretary***	***SD/-*** ***Chief Operations Officer*** ***SD/-*** ***Chief Executive Officer***	***SD/-*** ***Company Secretary***