

Recovery Policy of Sampati Securities Limited

A **Recovery Policy** is a critical part of company's risk management framework, outlining the steps and strategies to recover overdue loan amounts from borrowers who have failed to repay within the agreed-upon timeframe. Its purpose is to minimize the financial impact of defaults and protect the company's cash flow, ensuring that outstanding debts are efficiently collected while maintaining regulatory compliance. The policy typically defines clear processes for loan classification, provisioning requirements, recovery strategies and overdue calculations.

Key Components of a Recovery Policy:

1. Loan Classification

Loan classification refers to categorizing loans based on how overdue they are, and determining the appropriate recovery actions based on this classification. This step is essential in determining the severity of the default and choosing the appropriate recovery strategy.

- **For Non-DLA Loans (Direct Loans to Borrowers):**
 - **Standard Loans:** Loans that are within the repayment schedule and have not missed any payments. These loans are considered low-risk.
 - **Sub-Standard Loans:** Loans that have been overdue for 1-90 days. Borrowers are still expected to make payments, but the situation is starting to become risky, requiring early intervention.
 - **Doubtful Loans:** Loans overdue for 91-180 days. At this stage, there is a high risk that the borrower may default on repayment, and the company needs to take stronger recovery measures.
 - **Loss Loans:** Loans overdue for more than 180 days. These loans are considered highly risky, and recovery efforts should focus on mitigating losses, possibly through legal action or settlement or write-offs.
- **For DLA Loans (Loans Processed through Loan Service Providers):**
 - **Standard Loans:** Loans that are within the repayment schedule.
 - **Doubtful Loans:** Loans overdue for 91 days or more. Since these loans involve third-party intermediaries, the company must collaborate with recovery agency to initiate recovery efforts.

By classifying loans this way, the company can prioritize its recovery efforts based on the severity of the delinquency, focusing more intensive recovery measures on loans that are closer to being written off.

Provisioning Requirements

Provisioning refers to the practice of setting aside a portion of funds to account for potential losses from defaulted loans. This is an important aspect of the company's financial management, as it helps to ensure that the company remains financially sound, even when dealing with a large number of non-performing loans (NPLs), if so.

The Reserve Bank of India (RBI) mandates that NBFCs create provisions based on the classification of loans. For instance:

Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for	
Doubtful Assets	(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the NBFC has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;	
	(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:	
	Period for which the asset has been considered as doubtful	% of provision
	Up to one year	20
	One to three years	30
	More than three years	50
Sub-standard assets	A general provision of 10% of total outstanding shall be made.	
Standard Assets	The company (NBFC-BL) shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet	

By adhering to these provisioning requirements, the company can ensure it is financially prepared to absorb potential losses from defaults. The level of provisioning directly impacts the company's profitability and capital adequacy, so maintaining accurate provisions is vital for long-term stability.

2. Recovery Strategies

The recovery strategy outlines the steps to be taken based on the loan classification, the type of borrower (individual or business), and the circumstances surrounding the default. These strategies may include a mix of proactive and legal measures, tailored to each case:

For Non-DLA Loans (Direct Loans to Borrowers):

- **Contacting Borrowers Directly:** The first step in recovering overdue amounts is to reach out to borrowers through multiple communication channels, such as phone calls, SMS(if required), emails.

For example, a borrower who is 30 days overdue may first receive a polite reminder via call, while a borrower overdue by 90 days may receive a more formal email notice emphasizing the consequences of continued non-payment.

- **Sending Reminders:** The NBFC may send a series of reminders at different stages of the overdue period.

For example, a borrower overdue by 60 days might receive a notice or is being reminded verbally.

- **Physical visits:** If internal efforts do not yield results, the company may employ extra efforts, such as field visits.
- **Initiating Legal Action:** If other recovery efforts fail, legal action may be pursued which include filing a suit in the court and/or attachment of the property (As per courts order/decrees) to recover the debt.

For DLA Loans (Loans Processed through Loan Service Providers):

The recovery process for digital loans, typically characterized by short tenures of 1-45 days, requires a streamlined and efficient approach to ensure that overdue loans are managed effectively while minimizing defaults. The digital nature of these loans means that communication with borrowers is often handled through automated systems, online platforms, and various digital channels. Below is a detailed breakdown of the recovery process for such loans, including pre-collection reminders, post-collection reminders, transferring cases to recovery agencies, and initiating legal proceedings.

- **Pre-Collection Reminders (Before the Due Date and Early Overdue Period)**

Pre-collection efforts are aimed at reminding borrowers of their upcoming repayment obligations before the loan becomes overdue. These reminders play a crucial role in reducing the likelihood of missed payments and ensuring timely repayment.

Reminder Timeline:

1. Pre-Due Date Reminders

Recovery efforts begin before the repayment due date to minimize delinquency.

- 7 days before due date: Automated reminders are sent via SMS, email, and mobile app notifications. These include loan details, repayment amount, and payment instructions.
- 1–3 days before due date: A final reminder is issued, emphasizing timely repayment to avoid late fees or penalties. This may be delivered through push notifications, WhatsApp messages, emails, or pre-collection calls.

These pre-emptive communications ensure borrowers remain informed and reduce the risk of missed payments.

2. Due Date – Initial Recovery Action

If repayment is not received on the due date, the account is flagged for recovery.

- Recovery agencies or internal teams initiate contact through phone calls, WhatsApp messages, and SMS.
- The tone remains professional, reminding the borrower of their obligation and encouraging immediate payment.

3. Overdue Notice (Day 3)

- If repayment is not received within three days of the due date, the Company shall issue a formal overdue notice to the borrower via email.
- The notice will clearly state the outstanding amount, due date, and any applicable penal charges.
- It serves as an official intimation of default and provides the borrower with an opportunity to regularize the account promptly.

4. Legal Notice (Between Day 4–10 After Due Date)

- If the loan remains unpaid and no resolution is reached within the period following the overdue notice, the Company may initiate the process of issuing a legal notice through its authorized advocate.
- The legal notice shall be prepared by external legal counsel.
- It shall serve as a formal communication to the borrower, providing details of the loan, overdue amount, penal charges, and the borrower's failure to repay.
- The notice shall grant the borrower a defined period (generally 15 days) to regularize the account before further remedies are considered.
- The purpose of the notice is to ensure transparency, provide the borrower with a final opportunity to settle dues, and document compliance with fair recovery practices.

5. Continued Recovery Efforts

- If repayment is still not made after the legal notice period:
- Recovery efforts shall continue through the Company's authorized recovery agency and internal teams.
- These efforts may include follow-up calls, written communications, and, where necessary, initiation of legal proceedings.
- Recovery strategies shall be adapted to the circumstances of each case, ensuring compliance with Fair Practices Code.

6. Principles of Recovery

- Recovery shall be conducted in a professional, non-coercive manner.
- Borrower dignity shall be respected at all times.
- All communications and notices shall be documented for audit and regulatory review.

- Legal remedies shall be pursued only after providing adequate opportunity for voluntary repayment.

Overdue Calculation

Overdue amounts are typically calculated by adding interest amount, principal, and any applicable penal charges that have accumulated due to missed payments. In the case of unsecured personal loans, the entire principal amount is considered when calculating overdue amounts, regardless of partial payments made by the borrower. For example, if a borrower misses three consecutive payments on a personal loan, the overdue amount will include the total unpaid principal along with any interest and penal charges, even if the borrower made a partial payment for the previous month.

The NBFC may also calculate overdue amounts on a daily basis, applying interest amount on the outstanding principal amount. These calculations can get complex in the case of default, so it is crucial for the recovery team to maintain clear records of payments, missed payments, and any penalties.

Detailed Calculation of Overdue Amount:

To understand how the overdue amount is calculated, let's break it down into components.

For Non-DLA Loans (Direct Loans to Borrowers):

Components of Overdue Amount:

1. **Outstanding Principal:** The original amount of the loan still due.
2. **Accrued Interest:** Interest that has accrued on the outstanding loan amount.
3. **Penal interest:** Penal interest for delayed repayment/default on loan repayment

For DLA Loans (Loans Processed through Loan Service Providers):

Components of Overdue Amount:

1. **Outstanding Principal:** The original amount of the loan still due.
2. **Accrued Interest:** Interest that has accrued on the outstanding loan amount.
3. **Penal interest:** Penal interest for delayed repayment/default on loan repayment
4. **Other Charges:** Any additional charges such as legal fees.

The board has delegated the powers to the authorized personnel for decision regarding settlement of loan account by waiver penal charges, partially or in full or below the threshold prescribed depending upon the various factors such as financial capacity, time duration of loan, other major factors (if any) while dealing the case.

Being an extremely short tenure unsecured loan product, the Bboard of Directors does not recommend restructuring the loan for DLA product.

Conclusion:

A well-structured recovery policy is essential for managing overdue loans and mitigating the financial risks associated with defaults, especially in fast-paced lending environments like digital loans. By implementing a systematic approach that includes timely pre-collection and post-collection reminders, engaging third-party recovery agencies, and using legal avenues when necessary, an NBFC can improve its chances of recovering outstanding amounts while maintaining a positive customer relationship. Additionally, adhering to regulatory requirements and maintaining transparency throughout the recovery process ensures that the NBFC minimizes losses, upholds its financial health, and complies with industry standards, ultimately supporting long-term business sustainability and growth.

