

# LAKME INVESTMENT AND FINANCE LIMITED

## DEBT RECOVERY POLICY

### Version Control

Document version	Description of changes	Memorandum of change	Prepared by	Proposed by	Owner Dept.	Approval Date
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## **1. Objective:**

In alignment with the Reserve Bank of India (RBI) guidelines, Lakme Investment and Finance Limited has developed the following debt recovery policy. This policy aims to ensure fair, transparent, and legally compliant debt recovery practices.

## **2. Fair Practices Code (FPC)**

### **a. Development and Implementation:**

- Lakme Investment and Finance Limited will develop and implement a Fair Practices Code (FPC) that is approved by the Board of Directors.
- The FPC will be made available on the company's website and at all branches for easy access by borrowers.
- The FPC will outline the minimum standards of practices to be followed while dealing with customers.
- It will ensure fair treatment of borrowers during the loan recovery process.
- The FPC will be periodically reviewed and updated as necessary.

### **b. Disclosure Requirements:**

- All terms and conditions of loans, including interest rates, penalties, and recovery procedures, will be clearly disclosed to borrowers at the time of loan sanctioning.
- Any changes to the terms and conditions will be communicated to the borrower promptly.
- Borrowers will receive detailed information about fees/charges payable for processing the loan application.
- Prepayment options and associated charges will be transparently communicated.
- Penalties for delayed repayment will be clearly explained to borrowers.

## **3. Ethical Recovery Process**

### **a. Training and Conduct of Recovery Agents:**

- Recovery agents will be trained to follow respectful and non-coercive recovery methods.
- Borrowers will be informed about the recovery process and the agents involved.
- Harassment, intimidation, and coercive practices are strictly prohibited

- Any recovery agency, if employed, will be posted on their websites.
- Recovery processes will be designed to respect the privacy and dignity of borrowers.
- Agents will be monitored to ensure compliance with ethical standards.

#### **4. Appointment and Regulation of Recovery Agents**

##### **a. Due Diligence and Monitoring:**

- The antecedents of recovery agents will be verified before appointment.
- A list of approved recovery agents will be maintained and periodically reviewed by the Board.
- Recovery agents must carry identity cards and authorization letters.
- Recovery agents will be properly trained to handle borrowers with care and sensitivity.
- The conduct of recovery agents will be monitored, and any misconduct will be addressed promptly.

#### **5. Grievance Redressal Mechanism**

##### **a. Establishment and Communication:**

- A robust grievance redressal mechanism will be established to address complaints related to loan recovery.
- Contact information for lodging complaints will be provided to borrowers.
- Complaints will be resolved in a timely manner.
- Unresolved grievances will be escalated to senior management.
- Banks should not forward cases to recovery agents until borrower grievances are resolved, except in cases of frivolous complaints.
- Exercise caution in referring matters to recovery agencies if dues are sub judice.
- Regular reviews will be conducted to ensure the effectiveness of the grievance redressal mechanism.

#### **6. Recovery through Legal Channels**

##### **a. Adherence to Legal Procedures:**

- Legal procedures for debt recovery will be strictly followed.

- The use of force or other unlawful methods is strictly prohibited.
- Borrower confidentiality will be maintained, and aggressive collection tactics will be avoided.
- Collection calls will be made during reasonable hours, respecting the borrower's convenience.
- Agents will be trained to handle borrower information with confidentiality.
- Ethical collection practices will be emphasized, avoiding any form of intimidation.
- Borrower information will not be disclosed unnecessarily during the recovery process.
- Contracts with recovery agents should not induce uncivilized, unlawful, or questionable recovery practices.
- Legal action will be taken if necessary, ensuring compliance with due process.
- Borrowers will be informed about the legal process and their rights.
- Recovery practices will comply with relevant laws and regulations.

#### **7. Recovery through Debt Recovery Tribunal (DRT):**

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act) made provisions for speedy redressal to lenders and borrowers through filing of Original Applications also known as OAs in the Debt Recovery Tribunals (DRTs) and appeals in Debts Recovery Appellate Tribunals (DRATs). Therefore, under the RDDBFI Act the DRTs and DRATs have been established to help provide for the need of speedy redressal for banks against NPAs. DRTs handle Original Applications (OAs) for debt recovery and appeals are handled by DRATs.

##### **a. Functions**

- DRTs provide a mechanism for banks to recover Non-Performing Assets (NPAs) swiftly.
- They also adjudicate applications filed by borrowers or mortgagors against actions taken by secured creditors under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act).

#### **8. Recovery of Secured Loans:**

- Ensure all collateral documentation is complete and legally binding.
- Conduct a thorough evaluation of the collateral to determine its current market value.
- Issue a notice to the borrower indicating the default and providing a reasonable period for

rectification.

- If the borrower fails to respond, issue a final demand notice stating the intention to enforce the security.

## **9. Insolvency And Bankruptcy Code (IBC):**

The Insolvency and Bankruptcy Code (IBC) is integral to our debt recovery strategy, streamlining insolvency and bankruptcy processes and reducing reliance on multiple forums. By consolidating cases under the National Company Law Tribunal (NCLT), the IBC facilitates swift resolution of non-performing assets (NPAs) and alleviates court backlogs.

### **Key components of the IBC include:**

#### **a. Insolvency and Bankruptcy Board of India:**

This body oversees the implementation of the Code, which amends laws related to the reorganization and insolvency resolution of corporate entities, partnerships, and individuals. It ensures a time-bound process to maximize asset value, promote entrepreneurship, enhance credit availability, and balance stakeholder interests.

#### **b. Insolvency Resolution Process (IRP):**

The IRP can be initiated by either a defaulting corporate debtor or creditors. It mandates that creditor claims be resolved within 180 days, during which revival proposals are considered. A 75% majority of financial creditors is required to approve any revival plan; failure to meet this threshold results in automatic liquidation. The IRP period can be extended beyond 180 days with a 75% majority vote from the committee of creditors.

By integrating the IBC into our debt recovery policy, we ensure efficient debt recovery from NPAs, thereby maintaining the financial health and stability of the Company.

## **10. Compliance with SARFAESI Act:**

### **a. Issuance of Demand Notice**

- Issue a demand notice to the borrower under Section 13(2) of the SARFAESI Act, requiring the borrower to discharge their liabilities within 60 days.
- The notice should clearly state the amount due and the intention to enforce the security interest

if the borrower fails to comply.

**b. Response and Objections:**

- Allow the borrower to make representations or objections within the 60-day notice period.
- Consider any representation or objection by the borrower and provide a response within 15 days of receipt.

**c. Taking Possession:**

- If the borrower fails to discharge the liability and objections are overruled, proceed to take possession of the secured assets under Section 13(4) of the SARFAESI Act.
- Take symbolic possession by affixing a possession notice on the property and publishing the notice in two leading newspapers (one in the local language and one in English).

**d. Valuation and Sale of Assets:**

- Obtain a valuation of the secured assets from an approved valuer.
- Issue a sale notice to the borrower and publish it in two leading newspapers, providing at least 30 days' notice before the auction.
- Conduct the auction as per the prescribed procedures, ensuring transparency and fairness in the process.

**e. Distribution of Sale Proceeds:**

- After the sale, distribute the proceeds in the order of priority specified in Section 13(7) of the SARFAESI Act. Adjust the sale proceeds against the outstanding dues and refund any surplus amount to the borrower. Ensure all compliance with respect to the Act are adhered to