

VALUVANADU CAPITAL LIMITED

**POLICY ON COMPROMISE SETTLEMENTS AND TECHNICAL WRITE
OFF OF LOAN ACCOUNTS**

Version Control		
Version Number	Description	Date
1	Policy	28.03.2025

Effective Date : 28-03-2025

Next Review Date : 14-03-2026

Policy Owner : HOD, Finance/Accounts

Prepared by : Finance/Accounts Department

Approved by : MD, WTD & CFO

POLICY ON COMPROMISE SETTLEMENTS AND TECHNICAL WRITE OFF OF LOAN**ACCOUNTS****Background**

The Reserve Bank of India (RBI) has come up with a frame work for Compromise Settlements and Technical Write-offs of loan account wide its circular No DOR.STR.REC.20/21.04.048/2023-24 dated 8th June 2023. The Circular is applicable for all NBFCs. Under this frame work the Company shall put in place a Board approved policy for compromise settlements with borrowers and for technical write offs.

Compromise settlement and Technical Writ off:

Compromise settlement is not generally encouraged by the company and shall be resorted to only in deserving cases to limit the losses of the Company or to settle irregular/ Nonperforming Accounts (NPA). Every borrower shall be induced to serve the loan as per the terms and condition of the sanction. The Compromise settlement and write off shall be in accordance with the provisions of this policy as follows:

I. Interest Waiver

1. Criteria for considering accounts for Interest Waiver:
 - a. If lower purity of gold is reported on subsequent verification by internal auditors or other senior officials engaged in inspection.
 - b. Decrease in gold value
 - c. Death or permanent disability of the customer.
 - d. Natural calamities
 - e. Chronic deceases
 - f. Insolvency
 - g. Any other case on genuine ground at the discretion of CFO/WTD/MD
2. Procedure for Interest Waiver
 - a. Request for waiver shall be submitted by concerned department with supporting documents
 - b. All approval shall be submitted to CFO/WTD/MD and approval shall be at their discretion on a case to case basis.
 - c. Details of waiver shall be submitted to the Board on a quarterly basis.
 - d. Amount waived shall be Booked in bad debts and effected to P&L account of the year as Loss.

II. Auction Waiver.

1. Criteria for considering gold loan accounts for Auction Waiver:

- a. There are chances to have loss in the auction procedure in the following situations:
 1. Lower purity of gold
 2. Reduction in gold price.
- b. Any loss incurred in the auction of gold ornaments in the above situation, the loss amount including principal shall be waived off.
2. Procedure for Interest Waiver
 - a. Request for waiver shall be submitted by Auction department with supporting documents
 - b. All approval shall be submitted to CFO and approval shall be at this discretion on a case to case basis.
 - c. Details of waiver shall be submitted to the Board on a quarterly basis.
 - d. Amount waived shall be Booked in bad debts and effected to P&L account of the year as Loss.

III. Principal waiver

Waiver on principal amount shall not be considered on usual cases. But it can be considered only on extreme case. Waiver of principal amount in any loan account other than gold auction shall be considered only on a case to case basis. Request for such waiver shall be submitted by concerned department and the approval shall be given by WTD/MD at his discretion.

IV. Account Write off (Theft, Spurious, Chronic Default NPAs)

1. Criteria for considering accounts for Technical Write Off:
 - a. Technical write- Off refers to cases where the non-performing assets remain outstanding at borrower's loan account level but are written off fully or partially by the Company for accounting purposes, without involving any waiver of claims against the borrower, and without prejudice to the recovery of the same
 - b. Unsecured loan Accounts Classified as NPA for more than 6months from the date of classification.
 - c. Gold involved in Theft cases and seized by Police and Classified as NPA
 - d. Spurious cases which are not recoverable and Classified as NPA.
2. Procedure for Technical Write Off
 - a. Proposal for write off regarding gold loan accounts (spurious/low quality/theft case) shall be submitted by Operations Department to the Finance Department.
 - b. Proposal for write off regarding unsecured loans shall be submitted by Recovery Department to Finance Department
 - c. Approval for Technical Write Off shall be done by WTD/MD
 - d. In case of technical write offs in unsecured loans, where the outstanding amount is Rs.20,000/- or more, the company shall initiate recovery measures through appropriate legal process.

WRITE OFF POLICY

- e. In case of technical write off in gold loan accounts, operation department shall initiate recovery measures including insurance claim.
- f. While considering an account for technical write off, chances of staff involvement shall be examined and in case of suspected collusion of employees with borrower, accountability shall be fixed on the employees concerned and remedial measure such as notional recovery and disciplinary actions, if necessary, shall be taken.
- g. The technical write –off shall be without prejudice to the right and claims of the Company against the borrower or co borrowers and appropriate actions may be taken to protect the interest of the Company

V. **Cooling period.**

The Company shall observe a cooling period of 12 months for considering any fresh credit lines to borrowers with whom the Company has made any compromise settlements or technical write off.

VI. **Severability.**

If any portion of this policy is found to be inoperative on account of change in underlying directions issued by the RBI or of the accounting standards or declared to be inoperative by any regulatory authorities, the remaining portion which are not so inoperative will continue to be in force and binding on the company. Any action taken by the company or its officers under the policy before it became inoperative or unenforceable shall continue to be binding on the company.
