

FEDEX FINANCE PRIVATE LIMITED

Loan Settlement/Write off & Collection Policy

Fedex Finance Private Limited

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Fedex Finance Pvt. Ltd. (Hereafter referred as “the Company/FFPL”) is a non-deposit taking non-systemically important Non-Banking Financial Company (NBFC) licensed by the Reserve Bank of India (RBI) bearing registration No.13.00930.

The company extends -

- Non-microfinance retail loans
- Other loans as approved by the Board of the Company

These loans are main earning assets of the company, therefore maintaining good quality loan assets is utmost important for the company. Despite best effort done by the company on loan underwriting there are circumstances when loan become delinquent. Therefore, putting in place a comprehensive recovery policy is important to ensure prudent operational practices within the company.

This policy will provide clear guidelines to operations team to monitor and recover the advances in most effective ways.

1. OBJECTIVES

- a) To reduce the Company’s NPA level in absolute terms by preventing slippage of accounts and accelerating recoveries in the existing NPAs.
- b) To ensure all the company employees follow the code of conduct set up by the Reserve bank of India (RBI) and the Self-Regulatory Organizations (SROs) while executing the recovery policy in the field.
- c) To take a pro-active approach in finding solutions for the borrowers who are in stress but their intent is good, the solutions may include restructuring of loans and compromised settlements. Compromise solutions would be allowed only in defined situations, though the Company’s endeavor would remain recovery of 100% principal and interest dues when possible.
- d) To ensure accuracy in reporting of accounts once it is delinquent.

2. KEY DEFINITIONS AND GUIDELINES

- a) Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;
- b) Overdue: Any amount due to the company under any credit facility is ‘overdue’, if it is not paid on the due date fixed by the Company.
- c) Non-performing asset means an asset for which, interest/principal payment has remained overdue for more than 90 days.
- d) Special Mention Account (SMA) is an account which is showing signs of incipient stress resulting in borrower defaulting in timely servicing of their debt obligations though the account has not been classified as NPA as per extant RBI guidelines. Early recognition of such accounts will enable the company to timely initiate the remedial

measures to prevent their potential slippages into NPA. The accounts are to be classified as under:

SMA sub-categories	Basis of classification (other than revolving facility)
	Principal or interest payment or any other amount wholly or partially overdue for:
SMA-0	1-30 Days
SMA-1	31-60 Days
SMA-2	61-90 Days

- e) Loan accounts classified as NPA may be upgraded to standard assets if borrowers paid the entire arrears of principal and/or interest or agrees in writing for scheduled repayment in instalments.
- f) Once the account is classified as NPA, the entire interest accrued and credited to the income account in the past periods must be reversed to the extent it remains unrealized.
- g) A Loss Asset is one where loss has been identified by the Company or internal or external Auditors or the RBI Inspection, but the amount has not been written off. In other words, said asset is considered as unrealizable that its continuance as a bankable asset is not warranted, though there may be some salvage or recovery value. There should be a provision of 100% for loss assets.
- h) All the loans and advances shall be classified as per the norms prescribed by Reserve Bank of India. The classification made by the Company shall be verified by Statutory Auditors.

3. ACTION TO BE TAKEN IN NPA ACCOUNTS

Once account has been identified as NPA:

The borrower and the guarantor, if any, be vigorously followed up for recovery/regularization of the account. In case no desired response is received, recovery notice to be served on borrower within 15 days followed by a legal notice through an advocate on the Company's panel to the borrower and the guarantor within 30 days from the date of identification of the account as NPA with prior approval of the Board.

In exceptional cases if there are genuine difficulties being faced by certain borrowers, their accounts may be rescheduled/restructured preferably prior to such loans becoming NPAs with the approval of competent authority. The competent authority shall be at least a level higher in hierarchy to the authority from which such loan was approved. Further any official who was part of sanction of such loan shall not be a party to approve the restructuring/settlement. However, all the proposals for compromise/ technical write off shall be approved by Board of Directors before giving effect.

It should be ensured that the statements showing position of NPA's should be updated immediately after the day end process.

The position of recovery in NPA accounts, including restructured and compromised settlements accounts, should be reviewed on a monthly basis and the position of recovery be placed before the Management on a monthly basis.

Recoveries affected in NPA assets be first be appropriated towards interest then principal.

4. COMPROMISE / ONE TIME SETTLEMENTS

The basic guidelines governing compromise/onetime settlements of NPAs/ Write off Accounts are listed below.

- a) A compromise should be negotiated settlement, which would ensure recovery of the dues to the maximum extent possible at minimum expense and within shortest possible time.
- b) While taking NPAs a proper distinction will have to be made between willful defaulters and defaulters due to circumstances beyond their control. While in case of the former, a tough stand has to be taken, in latter cases a moderated view is to be taken.
- c) Due weightage to be given to present activities of the borrower / guarantor, their present means etc.
- d) While arriving at a negotiated settlement, the advantage available to the company for prompt recycling of funds should be weighted in comparison to the likely recovery be following legal or other protracted course of action i.e. opportunity cost analysis be made.
- e) The internal reporting system should ensure prompt reporting of all compromise proposals approved. The details of compromise / technical write off made during the quarter shall be reported to the Board
- f) A compromise/settlement be made only if the account has been classified as loss assets. However, if there are any genuine reasons, compromise/settlement can also be made in case of NPA accounts.
- g) While compromising in any account only interest amount be sacrificed and no relief be granted in principal amount. However, in deserving cases relief in principal amount may also be considered with the permission of appropriate authority.
- h) Before entering into any compromise /settlement details of the assets of the borrower and guarantor be collected and the relief be granted if the Company deems fit.

With a view to accelerate the recovery process by way of compromise/settlement, delegated powers for write off of principal / waiver of interest / absorption of legal expenses of NPAs the approving authority shall be the Board.

5. COOLING PERIOD

In respect of borrowers subject to compromise settlements, there shall be a cooling period of not less than 12 months before the fresh exposure to such borrower can be approved.

6. NO RELIEF EITHER IN PRINCIPAL OR IN INTEREST IN THE LOANS AND ADVANCES OR ANY DEBT DUE FROM

- a) the directors of the Company,
- b) any firm or company in which any of the directors of the Company is interested as partner/director or guarantor,
- c) any individual, if any of its directors is his partner or guarantor.

7. PAYMENT OF SETTLEMENT AMOUNT

As far as possible, settlement amounts should be recovered in a lump-sum. Where the borrowers desire to pay the settlement amounts in installments, a maximum time period of 3 months from the date of approval be allowed. In specific cases where borrowers have genuine concern, they may be granted additional time with the permission of competent authority to pay the settlement amount. Such cases should be rare and if the time permitted for the payment of compromised amount is more than 3 months, then such accounts will be classified as restructured account.

Payment of settlement amount in installments will attract interest at Base Rate (simple). Wherever installment payments are sought, there should be a minimum of 25% down payment of the settlement amount. The sanctioning authority will have authority to waive the interest for delayed payment if he deems fit.

8. SETTLEMENT PROPOSAL FROM GUARANTOR

There are cases, where guarantors in NPA accounts come forward with settlement proposals so that they can seek release of their guarantees. Such proposals from guarantors should be treated on par with proposals from borrowers and module approach under Recovery Policy is applicable to such proposals.

9. RECOVERY THROUGH SETTLEMENT IN FRAUD CASES

Compromise / settlement can be negotiated and sanctioned in NPA accounts reported as fraud cases by treating those accounts as normal accounts, subject to following conditions:

- a) The settlement / compromise shall be negotiated only after taking legal sanction and after initiating criminal proceedings and other applicable legal formalities and after obtaining clearance from the Board.
- b) Investigating agency prosecuting the case should be informed in writing by Registered Post / Courier Services about the proposed settlement and if objections are not received within 30 days, settlement can be implemented.
- c) Post settlement, criminal case should not be withdrawn by Company. All the assistance required or called for by the investigating Agency or court to take the case to its logical conclusion should be promptly provided by the Company.
- d) After the settlement, files relating to the account should not be destroyed or sent to old records, but should be kept safely and properly till the conclusion of the criminal proceedings.

10. NORMS IN RESPECT OF WRITING OFF OF BALANCES IN THE BORROWAL ACCOUNT

- a) The accounts, balances of which are to be written off must have been classified as NPA and account is past due for more than 730 days. In case of death of the borrower, if insurance company has rejected the insurance claim or even if borrower is not insured under life insurance policy because of reason/s whatsoever.
- b) Balances in the account are written off only after obtaining report from the Business Head about remote possibility of recovery in the account before recommending for write off.
- c) The exercise of writing off of the balance is carried out in consultation with the Accounts & Operations Department and the aggregate amount to be written off be finalized with the approval of the Director.
- d) Efforts for recovery be continued even after the balance in the account is written off. In case of a suit filed account where the balance has been written off, suit proceedings/execution proceedings be continued.

11. TECHNICAL WRITE OFF

The Company is resorting to technical write off of NPA in case of “Loss assets” where substantial provisions have been made and chances of recovery is low.

- a) Such write off is essentially a prudent accounting measure to reduce the level of Gross NPA as such accounts are either fully provided for or substantial provision is already available.
- b) Accounts which are NPA, will be proposed for write off by the management of the company to the Board, if they meet the following criteria:
 - Accounts are past due for more than 730 days
 - In the event of a borrower’s death, if the borrower is not covered under insurance for any reason or where insurance cover is taken and the insurance claim is declined by the insurance company then the loan accounts of such customer will be proposed for write off.
- c) The technical write-off will be restricted to the extent of outstanding balance in the running ledger and provision available. The shortfall in provision on account of write-off is to be made good while finalizing the Company’s account. Interest held in dummy ledger will not be waived. Company will continue to maintain dummy ledgers in respect of NPAs, prudentially written off.
- d) Recovery efforts in such accounts should continue to be vigorously pursued. Suits filed should be expedited and taken to their logical conclusion by constant follow up with our advocates. Where decrees are obtained, execution proceedings should be launched without delay.
- e) The fact of technical write-off should be kept in strict confidence and not disclosed to the borrowers under any circumstances.
- f) Delegation powers for Technical Write Off will be with the Board of Directors.
- g) Progress of recovery in written-off account will be reported to the Board of Directors.

12. NORMS IN RESPECT OF FILING OF SUIT

Considering the long-drawn process in the litigation and difficulties in executing the decrees action of filing of suit be taken as a last resort. Following norms be observed before filing of a suit -

- a) A suit shall be filed only after making all the efforts such as personal contact, demand notice through an advocate. If there are no alternatives left then only company shall consider suit filing for recovery.
- b) Before filing of the suit, it should be ensured that the loan documents are complete in all respects and that the suit is well within the limitation period. The position of documents be got examined from the Company's approved advocate.
- c) Before filing of the suit final notice through Company's advocate shall be issued.
- d) Suit filed through an Advocate on the Company's panel only.
- e) Before filing of the suit information regarding movable/immovable assets of the borrower and the guarantor shall be ascertained and steps shall be taken for attachment of these properties before the judgment.

13. WAIVER OF LEGAL ACTION

There may be accounts where borrowers and guarantors have died or are not traceable and their security / net worth is nil. In such cases legal action will only add to cost and does not result in any recovery. With more and more stress on retail loans, there may arise some cases, where cost of legal action will be more than the loan granted. In all such cases discretion should be used for waiver of legal action by the Board.

14. REVIEW OF POLICY

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation / information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.
