

Nalwa Sons Investments Limited

CIN: L65993DL1970PLC146414

Corporate Office: Jindal Centre, 12, Bhikaiji Cama Place, New Delhi – 110066

Registered Office: 28, Najafgarh Road, Moti Nagar Industrial Area, New Delhi-
110028 Phone No.: (011) 45021854, 45021812, Fax No. (011) 45021812

Branch Office: O.P. Jindal Marg, Hisar – 125 005 (Haryana)

E-mail: investorcare@nalwasons.com, Website: www.nalwasons.com

COMPROMISE, SETTLEMENT & TECHNICAL WRITEOFF POLICY

Document Control Sheet	
Document Name	Compromise, Settlement & Technical Writeoff Policy
Name of Company	Nalwa Sons Investments Limited
Policy Authorization by	Board of Directors
Review of the policy	As and when required
Board Approval date	November 30, 2023

- 1) This policy may be known as “NSIL –Compromise, Settlement & Technical Writeoff Policy” hereinafter referred to as the “Compromise, Settlement & Technical Writeoff Policy”.
- 2) This Compromise, Settlement & Technical Writeoff Policy has been made pursuant to Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 as amended from time to time and the Reserve Bank of India’s Framework for Compromise Settlements and Technical write-offs as amended from time to time
- 3) The Board of Directors has approved and adopted this ‘Compromise, Settlement & Technical Writeoff Policy’ on 30th day of November, 2023.

4) **Company’s Profile**

Nalwa Sons Investments Limited (NSIL) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). In accordance with the Master Direction- Non-Banking Financial Company – Scale Based Regulations - (Reserve Bank) Directions, 2023 (hereinafter referred to as “the RBI Directions”) issued by the RBI, the Board of Directors is required to frame and approve a Compromise, Settlement & Technical Writeoff Policy.

5) **Objectives**

The objective of this Policy is to provide a framework for compromise settlements and writing off NPAs in the form of a technical write-off.

6) **Scope**

a) **One-Time/Compromise Settlement**

Before considering a loan for write off, the Company officials shall make concerted effort for negotiating a one-time settlement (OTS) with the borrower. One-time settlement refers to a negotiated settlement where a borrower offers to pay and the Company agrees to accept in full and final settlement of its dues, an amount less than the total amount due to the Company under the relative loan contract. The Company officials shall frame a settlement based on the circumstances necessitating its consideration to protect the Company’s interest to the maximum possible extent.

b) **Technical Writeoff**

A write-off is an accounting term for the formal recognition in the financial statements that a borrower’s asset no longer has value. Usually, loans are written off when they are 100 percent provisioned and there is no realistic prospect regarding either settlement or recovery. These loans are transferred to the off-balance sheet records.

The 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. A write-off does not preclude the lender from enforcing, selling, or transferring the credit to another entity. Writing-off a loan does not entail forgiving the debt. The borrower still owes money to the lender; however, the lender has derecognized this asset from its financial statements due to non recovery of dues.

7) **Definitions**

For the purpose of this Investment Policy –

- a) “Act” means the Reserve Bank of India Act, 1934;

- b) “Board of Directors” means the Board of Directors of Nalwa Sons Investments Limited.
- c) “Body corporate” means a body corporate as defined under Section 2 of the Companies Act, 2013;
- d) “Company” or “NSIL” means Nalwa Sons Investments Limited;
- e) “Companies Act” means the Companies Act, 2013 or any statutory modifications or re-enactment thereof for the time being in force.
- f) “Officer of a Company” means any person as defined under Section 2 of the Companies Act, 2013
- g) “Relative” shall have the meaning assigned to it under of section 2 of the Companies Act, 2013.

Other terms not defined hereinabove shall have same meaning as defined in “Master Direction – Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Directions, 2023” and as amended from time to time.

8) Eligible accounts for write off:

- a) The accounts proposed to be written off should be classified as doubtful or loss assets. The minimum ageing for a technical write-off should be at least 18 months from the date of the account turning NPA.
- b) Accounts where deterioration in collateral value warrant a technical write-off.
- c) The loan account should have adequate provision to contain the loss at a minimum level.
- d) Accounts where suits have been filed but chances of recovery are bleak even if the cases are decreed.
- e) Accounts that become substandard due to the death of the main earner can also be considered for write off as often the claim amount from the Insurance Company is not sufficient to fully settle the dues.

9) Process for write-off/compromise settlements:

- a) A report on non-recoverability of dues along with the proposal to write off the loan accounts to the management.
- b) All write off proposals shall be thoroughly examined by the management before submitting for approval to the Whole Time Director or Executive Director or CEO or Board of Directors.
- c) The exercise of writing off of the balance is carried out in consultation with the Chief Financial Officer (CFO) / Accounts Head / Management and the aggregate amount to be written off be finalized with the approval of the Whole Time Director or Executive Director or CEO or Board of Directors.
- d) The Whole Time Director or Executive Director shall have the authority to write off/do compromise settlement for accounts with total outstanding/loss up to Rs.5.00 lakhs. In respect of the accounts with outstanding/loss above Rs.5.00 lakhs, the proposals shall be placed before the Audit Committee.

In all such cases upto Rs. 5.00 lakhs, Whole Time Director or Executive Director / Board Level Committee or Board of Directors can waive upto 100% of interest overdue and upto 50% of principal outstanding.

Waiver of principal outstanding beyond 50% will require approval from Audit Committee / Board

Level Committee and would be reported to the Board of Directors.

In case, the Whole Time Director or Executive Director / Board Level Committee was the original sanctioning authority, the account will have to be put up to the Board of Directors directly. Proposals for compromise settlements/write-off in respect of customers classified as fraud or willful defaulter, will require approval of the Board in all such cases.

- e) The follow up for recovery of a written off loan shall be continued on par with other live accounts. All possible steps to recover the dues shall be initiated even after write off in the larger interest of the Company.
- f) The branches shall be advised to ensure that writing off loans should not in any manner dilute the recovery mechanism and should not give any negative signals to regular and prompt borrowers.
- g) The Collection/accounts team shall ensure that all the relevant loan documents are enforceable and legal options / compromise proposals shall be explored.
- h) The Operations department shall ensure that the details of accounts written off are informed to the Bureaus / Credit Information Companies.
- i) The details of loan accounts written off shall be informed to the Audit Committee/ Board of Directors.

10) Accounting treatment of Write off of loan accounts:

- a) The writing off a loan account shall be accounted for by passing a journal entry to debit the “Bad Debt Expense account” and a credit to the loan account.
- b) In case the borrower resumes servicing its debt, or the exposure is sold, a recovered amount would be directly recorded as income in the profit and loss (P&L) account.

11) Staff Accountability:

For all cases being written-off or undergoing OTS/compromise settlement, the internal audit team will do a thorough check / investigation of the proposal including sourcing, credit underwriting and disbursement process to ensure that there is no lapse or ethical violation on account of any of the employees. If any lapses or ethical violations is found, the case report will be submitted to the Whole Time Director or Executive Director /Board of Directors and Chief Risk Officer for taking relevant action within 60 days of report submission.

12) Other Norms:

- a) In respect of borrower's subject to compromise settlements, there shall be a cooling period of 36 months before NSIL/Company can assume fresh exposure to such borrowers.
 - i. The cooling period in respect of exposures other than farm credit exposures shall be subject to a floor of 12 months. Reporting Entities (REs) are free to stipulate higher cooling periods in terms of their Board approved policies.
 - ii. The cooling period for farm credit exposures shall be determined by the REs as per their respective Board approved policies.
- b) NSIL may undertake compromise, settlements or technical write-offs in respect of accounts categorized as willful defaulters or fraud without prejudice to the criminal proceeding underway against such customers.

13) Reporting to Board:

Compromise settlements and technical write-offs approved by the Whole Time Director or Executive Director/ Board Level Committee would be reported to the Audit Committee and Board.

- a) A suitable reporting format so as to ensure adequate coverage of the following aspects has been prepared by the Company.
- b) trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off (q-o-q and y-o-y).
- c) out of (a) above, separate breakup of accounts classified as fraud, red-Flagged, willful default and quick mortality accounts.
- d) Amount-wise, sanctioning authority wise, and business segment / asset-class wise grouping of such accounts.
- e) extent of recovery in technically written-off accounts.

Aspect	Details
Reporting Period	Quarterly/Semi Annually
Approved by	MD & CEO / Board Level Committee and Board of Directors
Trend Analysis	- Number of Accounts: Quarterly (q-o-q) and Yearly (y-o-y) trends - Amounts: Quarterly (q-o-q) and Yearly (y-o-y) trends
Breakup of Accounts	Fraud: Number and amount - Red-Flagged: Number and amount - Willful Default: Number and amount- Quick Mortality Accounts: Number and amount-
Grouping of Accounts	Amount-wise: Grouped by different amount ranges - Sanctioning Authority-wise: Grouped by the authority that sanctioned the write-off - Business Segment / Asset-Class-wise: Grouped by business segment or asset class-
Recovery Extent	Technically Written-off Accounts: Extent of recovery achieved