

Deevee Commercials Limited (“DCL”)

Policy on Compromise Settlements and Technical Write-offs

Reserve Bank of India vide notification No, DOR.STR.REC.22/21.04.048/2023- 24 dated 8th June 2023 extended comprehensive guidelines framework for compromise settlements and technical write offs to NBFCs. These guidelines aimed at strengthening the process for all regulated entities. It also further emphasizes the need for settlement policy and focuses on maximizing recovery and minimizing expenses with permissible sacrifice.

Compromise settlement for this purpose shall refer to any negotiated arrangement with the borrower to fully settle the claims of the RE against the borrower in cash; it may entail some sacrifice of the amount due from the borrower on the part of the REs with corresponding waiver of claims of the RE against the borrower to that extent.

Technical write-off for this purpose shall refer to cases where the nonperforming assets remain outstanding at borrowers’ loan account level, but are written-off (fully or partially) by the RE only for accounting purposes, without involving any waiver of claims against the borrower, and without prejudice to the recovery of the same.

The competent authority for considering any type of compromise proposal shall be vested with the Board of Directors and also technical / prudential write off shall also be undertaken with the approval of the Board of Directors.

The Policy recognizes that it is not possible to lay down precise guidelines, which can be followed uniformly in case of all compromise offers as each offer is unique in the context of circumstances necessitating its consideration as a recovery option.

The Policy, however, lays down the following principles, which are to be kept in view while considering compromise offers:

- DCL shall take up a compromise settlement / One Time Settlement (“**OTS**”) proposal for consideration, irrespective of the present stage and status of the recovery proceedings.
- Any compromise shall be a negotiated settlement under which DCL shall endeavour to recover its dues to the maximum extent possible, with minimum sacrifice and within shortest possible timeframe. However, it is recognised that amicable settlements are possible only in a win-win situation and sacrifice is a part of settlement.
- The latest status of the activity of the borrowing entity, which seeks a compromise, shall be taken into reckoning during the course of negotiation.
- As far as possible, an initial down payment shall be taken from the borrower as evidence of his intention to pursue the compromise settlement with the DCL.
- In case the borrower has other group companies dealing with the DCL, influence of these companies or the parent company shall be used for a better settlement and/or for getting additional security, pending realization of the entire amount of compromise.
- It shall be the endeavour of DCL to get the entire compromise amount within 30

days from the date of settlement. *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 also be considered.*

- At the time of OTS, negotiation when OTS amount is proposed to be paid in instalments seriousness and preparedness of the borrower to honour OTS commitments shall be looked into.
- In the case of suit filed account if need be and if practical, the terms and conditions of settlement shall be finalized and consent decree from the court shall be obtained.
- Normally no Compromise Settlement shall be made with wilful defaulters. However, it is recognized that, sometimes business prudence requires compromise settlement in the case of wilful defaulters also, which shall be considered on a case-to-case basis.
- In case of non-receipt of the committed compromise amount as per the terms of the settlement, the recovery proceedings already initiated before the settlement shall be continued forthwith.
- The Authority who had approved the compromise settlement earlier shall consider the modification in the terms of the settlement.
- In compromise settlements/write off cases the amount of sacrifice will be determined with reference to balance/dues as on the 'settlement date' which shall be indicated in the compromise settlement/write off proposals.

Technical Write-offs

DCL can undertake technical write off exercise for accounting purpose only without entailing any waiver of claims against the borrower and guarantors without affecting right to recover in any way.

As such company may consider technical write off exercise in the following cases:

- The NPA accounts / bad debts which are either considered as unrecoverable or whose recovery is likely to consume dis-appropriate resources of the company.
- NPAs classified as Loss Assets and / or Doubtful, which are provided fully 100% to the extent of outstanding of its Running Ledger.
- The borrower/s - NPA accounts wherein technical write off undertaken shall not be benefited in any manner and their legal obligations as well as the cost of such defaults for them remains unchanged vis-a-vis the position prior to technical write off.
- For identity of the continuation of NPA accounts post technical write off shall reflect Running Nominal Ledger balance and entailing right to recover entire sum with interest from time to time.
- The technical / prudential write off shall be for the accounting purpose only and all legal remedies available shall be followed suitably.

Review of Policy

The Board of Directors shall periodically review the policy and incorporate appropriate changes as deemed necessary.