

VALUVANADU CAPITAL LIMITED
POLICY ON RESOLUTION OF STRESSED ASSETS

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Policy Owner : **HOD, Finance/Accounts**

Prepared by : **Finance/Accounts Department**

Approved by : **MD, WTD & CFO**

POLICY ON RESOLUTION OF STRESSED ASSETS

Background

The Reserve Bank of India (RBI) has issued a framework for the early recognition, reporting, and time-bound resolution of stressed assets, which includes guidelines for compromise settlements and technical write-offs. This policy is formulated in compliance with the 'Reserve Bank of India (Non-Banking Financial Companies - Resolution of Stressed Assets) Directions, 2025.

Compromise settlement and Technical Writ off:

Compromise settlement is not generally encouraged by the Company and shall be resorted to only in deserving cases, with a view to limiting the losses of the Company or settling irregular / Non-Performing Accounts (NPA). Every borrower shall be encouraged to service the loan strictly in accordance with the terms and conditions of the sanction. Further, the implementation of any compromise settlement under this Policy shall be completed within a period of 3 (three) months from the date of sanction of the compromise settlement. 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. Details of waiver shall be submitted to the Board on a quarterly basis.
- c. 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. Details of waiver shall be submitted to the Board on a quarterly basis.
- c. 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.

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

1. Criteria for considering accounts for Technical Writ 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. 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.
- d. In case of technical write off in gold loan accounts, operation department shall initiate recovery measures including insurance claim.
- e. 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. Towards maintaining a graded framework for the examination of staff accountability, all cases of compromise settlements and technical write-offs shall be placed before the Board for review on a quarterly basis, irrespective of the amount involved.
- f. 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. **Approval for interest waiver, auction waiver, principal waiver and account write off.**

Power to initially sanction the credit or investment exposure shall rest with branch heads/head of such loan vertical. Powers for the approval or sanction of all compromise settlements, including interest, auction, and principal waivers, as well as technical write-offs, shall rest with CFO/Head of Credit Department. Proposals for compromise settlements in respect of borrowers classified as fraud or willful defaulter will have to be placed to the Board.

VII. **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.

VIII. **Information to Board**

The Following Information should be submitted to the Board on quarterly basis as per the Annexure 1 format

The trend in the number of accounts and amounts subjected to compromise settlement and/or technical write-off on a quarter-over-quarter (q-o-q) and year-over-year (y-o-y) basis.

A separate breakup of accounts classified as fraud, red-flagged, willful default, and quick mortality accounts.

Grouping of such accounts by amount, sanctioning authority, and business segment/asset-class.

The extent of recovery achieved in technically written-off accounts.

Annexure 1:

Sl.No	Particulars	previous quarter		current quarter		previous year		current year	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	Compromise and Settlement								
2	Technical write off								
3	Total								
	out of Total :								
	fraud								
	red-flagged								
	willful Default								
	Quick Mortality								
	Asset Classification wise								
	Amount Wise								
	Sanctioned Authority Wise								
4	Recovery achieved in technically written-off accounts								
	Net Write-Off								