

COLLECTION AND RECOVERY POLICY

KUSHAL FINNOVATION CAPITAL PRIVATE LIMITED

Version	Date	Reviewer	Approver	Document Changes
1.0	June 23, 2025	Collection Department	Board of Directors	Amendments and Revisions in the Policy

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1. Introduction

Kushal Finnovation Capital Private Limited (hereinafter referred to as "the Company" or "KFCPL") is committed to conducting its recovery practices in a lawful, ethical, and customer-centric manner. This Collection and Recovery Policy outlines the principles, processes, and oversight mechanisms to be followed in recovering outstanding dues from borrowers. The policy is guided by the Reserve Bank of India's (RBI) directives, applicable laws, and industry best practices.

2. Objectives

- Ensure responsible and timely recovery of dues
- Uphold the dignity and rights of borrowers during recovery
- Maintain full compliance with RBI's guidelines and applicable regulations
- Minimize Non-Performing Assets (NPAs) while ensuring customer trust
- Build a transparent and accountable recovery framework

3. Regulatory Framework

This Policy has been framed in accordance with, but not limited to, the following RBI Guidelines:

- RBI Fair Practices Code for NBFCs
- RBI circular on *Outsourcing of Financial Services by NBFCs*
- RBI circular on *Engagement of Recovery Agents* (RBI/2022-23/111, DOR.LEG.REC/40/09.07.005/2022-23)
- Other RBI circular/directions in this regard.

4. Scope of the Policy

This policy is applicable to:

- All loan products offered by KFCPL (secured, unsecured, consumer, MSME, etc.)
- All borrowers including individuals, joint borrowers, and businesses
- All staff members and third-party agencies involved in loan recovery
- All geographic locations where KFCPL operates

5. Classification of Accounts for Recovery

Stage	Description	Action
Standard	No dues pending or less than 30 days overdue	Routine reminders.

Stage	Description	Action
SMA-1	31-60 days overdue	Soft Recovery Measures / Communication with the Borrowers.
SMA-2	61-90 days overdue	Escalated follow-up through communication channels. Rigorous recovery visits.
NPA	91+ days overdue	Legal actions

6. Modes of Recovery

Kushal Finnovation Capital Private Limited (KFCPL) adopts a structured, lawful, and ethically governed approach to recovering outstanding dues. The Company shall pursue recovery through one or more of the following methods, depending on the nature of the loan, borrower profile, and stage of default. All recovery actions shall be undertaken in accordance with applicable laws, RBI guidelines, and KFCPL's internal governance protocols.

6.1 Internal Recovery Measures

The Company shall make every reasonable attempt to recover outstanding dues through its internal mechanisms before initiating third-party or legal action. Internal recovery measures may include:

- **Automated Reminders:** Deployment of system-generated alerts through SMS, email, and voice calls to notify borrowers of upcoming or overdue payments.
- **Telephonic and Personal Follow-Ups:** Direct follow-up by trained internal recovery executives with an emphasis on respectful and solution-oriented communication in compliance with applicable TRAI guidelines. The service provider shall satisfy KFCPL with respect to the applicable compliance related to the tele-calling services.
- **Rescheduling or Restructuring Offers:** Evaluation of borrower's repayment capacity and, where appropriate, offering rescheduling, restructuring, or moratorium solutions in accordance with applicable regulatory frameworks.

6.2 Engagement of External Recovery Agents

The Company may engage internal resources for recovery and/or appoint/engage outsourced service providers for collection recoveries. The process shall adhere strictly to RBI's directions on the engagement and conduct of such agents. Key provisions include:

- **Empanelment and Due Diligence:** Service Provider shall be empanelled only after appropriate background verification, police clearance, and adherence to regulatory guidelines.
- **Identification and Authorization:** All recovery agents of the Service Provider must carry valid identification and an official authorization letter issued by KFCPL during any recovery visit or engagement with the Borrowers.

- **Conduct Standards:** All interactions must be respectful, and all communication may be recorded for quality and compliance assurance, subject to applicable laws.
- **Permissible Hours for Recovery:** Recovery visits and calls shall be strictly limited to the hours between 08:00 AM and 07:00 PM on working days, and not on public holidays unless explicitly agreed by the borrower.

6.3 Legal Recovery Measures

In cases where internal and external recovery efforts are ineffective, or where the borrower is willfully defaulting, KFCPL reserves the right to initiate appropriate legal action, including but not limited to the following:

- **Statutory Proceedings:** Legal proceedings under relevant sections of the *Negotiable Instruments Act, 1881*, particularly *Section 138* for dishonour of cheques.
- **Civil Remedies and Arbitration:** Filing of civil suits or initiation of arbitration proceedings as per the terms of the loan agreement executed with the borrower.
- **Insolvency and Bankruptcy Proceedings:** For corporate borrowers and eligible personal guarantors, proceedings may be initiated under the *Insolvency and Bankruptcy Code, 2016* (IBC), subject to thresholds and regulatory permissions.

7. Code of Conduct for Recovery Staff and Agents

KFCPL is committed to maintaining the highest standards of professional conduct during the loan recovery process. All employees and engaged recovery agents shall strictly adhere to the following code of conduct:

- **Prohibition of Coercion or Intimidation:** At no point shall recovery personnel engage in coercive, threatening, abusive, or intimidating behavior, whether verbal or physical, against borrowers or their associates.
- **Restrictions on Contact Hours:** Communication with borrowers, whether via phone or in-person visits, shall be conducted only between 08:00 AM and 07:00 PM. Contact outside these hours, on Sundays, or public holidays shall only be made with the borrower's explicit prior consent.
- **Recovery staff shall not enter borrower premises or access private property without lawful authorization.** No intrusive or invasive recovery methods shall be employed.
- **Dignified Interaction:** Special sensitivity shall be maintained while dealing with women borrowers, senior citizens, physically challenged individuals, and vulnerable sections of society. Interactions shall be respectful, non-discriminatory, and empathetic.
- **Language of Communication:** Communication shall be conducted in a language that the borrower understands and is comfortable with, to ensure clarity and avoid misunderstandings.

8. Oversight and Monitoring

KFCPL has established a robust governance framework to monitor and review recovery operations. This includes:

- **Internal Audits:** Periodic audits shall be conducted to assess adherence to recovery protocols, agent behavior, and compliance with regulatory norms.
- **Reporting and Analytics:** Monthly Management Information System (MIS) reports and dashboards shall be generated for senior management review of recovery performance and trends.
- **Training Compliance:** All recovery personnel shall undergo mandatory quarterly training on RBI guidelines, ethical recovery practices, and operational protocols.
- **Customer Feedback and Surprise Audits:** Random feedback calls, surveys, and field audits shall be conducted to monitor borrower experience and ensure compliance by agents.

9. One-Time Settlement (OTS) and Restructuring Framework

KFCPL recognizes the need to support borrowers facing genuine financial distress and offers relief mechanisms in line with regulatory norms:

- **Eligibility for OTS:** One-Time Settlement (OTS) offers may be extended to borrowers based on a detailed assessment of financial hardship, subject to internal approvals.
- **Approval Matrix:** Sanctioning authority for OTS and restructuring shall be governed by an approval matrix based on exposure limits, loan categories, and internal risk grading.
- **Documentation and Audit Trail:** All settlements shall be documented thoroughly, including reasons for approval and deviations, if any, to ensure transparency and audit readiness.
- **Regulatory Compliance:** All relief measures shall align with RBI's restructuring guidelines and ensure fairness, uniformity, and non-discrimination.

10. Confidentiality and Data Privacy

KFCPL is committed to safeguarding borrower data and ensuring its usage strictly for legitimate business purposes. Recovery operations shall adhere to the following principles:

- **Controlled Data Access:** Access to borrower information shall be granted only to authorized personnel on a need-to-know basis.
- **Prohibition on Unauthorized Sharing:** Under no circumstances shall borrower data be shared with external parties who are not authorized under contract or law.
- **Non-Disclosure Requirements:** All recovery agents and external partners shall execute Non-Disclosure Agreements (NDAs) and be bound by KFCPL's privacy policy.

11. Training and Capacity Building

KFCPL places high emphasis on continuous learning and ethical conduct in recovery. The following training framework shall be implemented:

- **Mandatory Induction Training:** All newly appointed recovery staff and agents shall undergo a structured orientation covering recovery procedures, borrower rights, and regulatory requirements.

- Annual Refresher Programs: Annual training programs shall be conducted covering the following key areas:
 - Updates on RBI circulars and compliance expectations
 - Soft skills and effective borrower engagement techniques
 - Conflict resolution and handling sensitive cases
- Certification: All external recovery agents must receive KFCPL's internal compliance certification before field deployment, after imparting comprehensive in-house training on the recovery mechanism in field and understanding the regulatory fair practices code. This training will be imparted by KFCPL's in-house collection and business team.
- Customer Grievance against the recovery agents: The customers may report any misconduct or grievance related to recovery agents by contacting our Grievance Redressal Officer at compliance@kfcpl.co.in. Complaints will be acknowledged within 48 hours and resolved within 7 working days. The matter will be investigated promptly, and appropriate action will be taken in line with regulatory guidelines.

12. Policy Review and Update

This policy shall be:

- Reviewed annually by the Compliance Department.
- Updated based on changes in RBI guidelines, judicial precedents, or internal feedback.
- Approved by the Board of Directors.