



Muthoottu Mini Financiers Ltd

NPA and Recovery Policy

The collection and recovery policy of Muthoottu Mini Financiers Ltd aims to ensure the quality of assets by coordinating various recovery process and make smooth dynamic progress in the reduction of NPA, overdue and loss assets. There by maintain a healthy percentage of NPA with in the industrial standard. MMFL have various schemes for Gold Loan products based on the prevailing market conditions and Gold Rate. Most of the borrowers repay the loan in the normal course and in cases where borrowers fail to repay within the loan period, reminders/notices are sent by the Company for regularizing such Gold Loans. Identification and regularization of moving to overdue, overdue and NPA accounts are essential to maintain a sound NPA management system. MMFL have a dedicated team under the operations department at corporate office to ascertain the level, monitor the movement and suggest remedies for irregular accounts.

For the ease of recovery we have categorized the gold loan portfolio as follows.

1. Monthly interest paying accounts.

Normally all loans except EMI loans have the facility for a bullet payment option, i.e., the principle and interest shall be paid on or before the maturity date. But this may create financial burden on the customer to source a good sum of money on the due date. To overcome the difficulty, and as a measure of customer service, branch will contact the customer and advise them to remit the monthly accrued interest preferably every month. This eases the burden on the borrowers and will be a measure of customer service leading to customer satisfaction.

2. Overdue Accounts.

Gold loans which completed its tenure from the Loan Date are called Overdue Accounts. In other words the loan accounts which customers fails to repay with in the mutually agreed contract period are known as the Overdue Loan accounts.

Normally the branches will vigorously follow up with the customers to avoid overdue situation even though some accounts slip to the category due to various reasons. Once a loan is identified as overdue gold loan (ODGL) the branch will use loan follow-up measures like telephonic reminders, SMS or visits by MMFL representatives to the borrowers business /work place or residence.

Simultaneously, a Registered Notice with acknowledgement due in vernacular language will be sent to the customers of the overdue accounts.

3. Non-Performing Asset Accounts (NPA accounts).

An asset, in respect of which, interest and principle has remained overdue for a period of three months or more from the due date is classified as a Non-performing asset (NPA). In NPA accounts, the borrower has not made any previously agreed upon interest and principal repayments after the repeated follow up from the branches for these extended period of time.

Treatment of NPA accounts.

A registered auction notice in the vernacular language will be sent to the customer if payment is pending 20 days from the due date. Telephonic reminders or visits by MMFL Employees to the borrowers place or residence are the other loan follow up measures used. As a precautionary measure, Company will verify once again the authenticity of the KYC collected and the purity of pledged ornaments in the NPA accounts. Telephonic reminders, Auction SMS or visits by Branch Manager, Regional Managers or Zonal Managers are made taking into account the net worth of the customer.

Muthootumini Financiers Ltd, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realization of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:-

(i) Standard asset shall mean 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 or carry more than normal risk attached to the business. A general provision of 0.4 per cent of total outstanding shall be made for these accounts

(i) Sub-standard assets: an asset which has been classified as non-performing asset for a period not exceeding 12 months. A provision of 10 per cent of total outstanding shall be made for these accounts.

(ii) Doubtful Assets is any Gold loans, which remains a sub-standard asset for a period exceeding 12 months. A provision of 10 to 50 percent of total outstanding shall be made for these accounts as per the provisioning norms.

(i) Loss Assets: A Loan account which has been identified as loss asset by the internal or external auditor of the company or by the lending Bank during their inspection to the extent is not written off by MMFL; and (b) an asset which is adversely affected by a potential threat of no recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower. 100 per cent of the outstanding shall be provided.

4. MTM (Mark to Market) Loss accounts.

In order to mitigate the risk on substantial erosion in the market price of the gold, and there by customer default and loss in auction, Company has formulated a Mark to Market policy. Categorization of Gold Loans under the risk perception and realization with the present market rate, accounts are categorized as MTM Loss A/c, Very High Risk, High Risk, Medium Risk and Low Risk categories. These classifications are based on a 5 day average closing price of 22 carat gold and if the Company is convinced that the market price / maximum realizable amount by sale of pledged items go below or equal to the total receivable amount from the borrower by way of principal, interest and other charges, these accounts will be treated

as auctionable accounts and auction will be conducted as per the norms. The company may also consider a concessional rate of interest for the settlement of loss making/NPA loans on a case-to-case basis.

Treatment of MTM accounts

Once an account is identified as a MTM account, the dedicated recovery team at CO will intensively follow up with the branches for a normal regularisation of the account by making the customer to pay the loss amount. System will trigger the list of accounts for easy monitoring. In the event of normal recovery measures like Telephonic reminders, SMS and direct visits by MMFL employees fail and the price continues on a decreasing trend, company will send a registered notice to the borrower directing him/her to repay the loss within 10 days, thereof. MTM Loss accounts will be put up for a public auction if the borrower do not turn up in spite of all the recovery measures including the recall notice to pay the difference amount or settle the accounts within the stipulated time of 10 days from the date of receipt of the recall notice.
