

FAIR PRACTICES CODE

1. INTRODUCTION

Pegasus Assets Reconstruction Pvt Ltd (PEGASUS) is an Asset Reconstruction Company registered with Reserve Bank of India ("RBI") under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and is also a Company registered under the provisions of the Companies Act, 1956.

The permitted business activity as per the provisions of SARFAESI Act read with RBI regulations is to carry on the business of securitization and asset reconstruction as defined in section 2 of the SARFAESI Act. Pegasus as an ARC acts as a Sponsor/Settler and Investment Manager cum Trustee of any Trust set up by it for acquisition of NPLs and resolution thereof. In terms of the provisions contained in section 7 of the SARFAESI Act, Pegasus can raise funds from Qualified Buyers (QBs) by formulating schemes in the nature of Trust for acquiring Non-performing financial assets. QBs investing in the trust shall be issued Security Receipts against their subscription to the schemes so formulated for acquisition of non-performing financial assets and such security receipts shall represent the undivided right, title or interest of the Security Receipt holders in the non-performing financial assets acquired by the said Trust and Pegasus shall hold the financial assets so acquired in trust for the benefit of the Security Receipt holders. Duties and responsibilities of Pegasus as Trustee are defined under the terms of the Trust deed and offer documents for issue of Security receipts to the QBs.

Pegasus, based on its experience over the years in the business of acquisition and resolution of non-performing financial assets, has decided to frame and adopt a code in accordance with the RBI guidelines, which sets the principles for fair and transparent practice standards while dealing with various stake holders, including the shareholders, security receipt holders as also the Borrowers.

Business

Pegasus will endeavor while conducting its business to comply with all the applicable laws, rules and regulations viz. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and various other statutory laws and the guidelines by Reserve Bank of India issued from time to time. Pegasus will not indulge in conducting any activities which are not within its charter as per the guide lines of RBI for ARCs

2. ACQUISITION OF NON-PERFORMING AND PERMITTED FINANCIAL ASSETS

- a) Acquisition of financial assets by Pegasus shall be in conformity with all the provisions of the SARFAESI Act and the RBI guidelines/directives as amended from time to time, including guidelines on fair practices to Asset Reconstruction Companies laid down there under.
- b) Pegasus shall not acquire any financial assets in a manner which may be termed as an unethical practice and with any motive for benefitting unscrupulously.
- c) Valuation of financial assets shall be done by Pegasus in transparent manner with the objective of setting a fair basis for Pegasus to finalise the acquisition of assets in a transparent manner.

3. LOAN RECOVERY

Pegasus will follow guidelines issued by RBI under Fair Practice Code (FPC) with respect to process of sale of secured assets and dealing with prospective buyers.

Pegasus will follow the recourse available under the SARFAESI Act and other the applicable laws as amended from time to time to resolve any non-performing financial assets acquired by it on its own book and or in a Trust. It will not engage in any un-lawful procedure or practice to resolve any loan account.

Sale of secured assets will be carried out as per the provisions of the SARFAESI Act by invitation for participation in auction publicly solicited. In case of failure of auction, sale could be under private treaty after following due processes as prescribed in SARFAESI Act 2002 and Security interest enforcement rules. Terms and conditions of sale will be decided in consultation with majority investors in the security receipts. Sale by any methods other than public auction shall be on such terms as may be settled with purchaser.

Currently legal systems in our country provide enough safeguards to the borrowers against any injustice being done to them through any action of an ARC.

Legal procedures available to an ARC for recovery of loans include enforcement of security interest without the intervention of the court under the provisions of SARFAESI Act, 2002. filing recovery suit before Debts Recovery Tribunal (DRT) under the RDDB Act' and proceedings under Insolvency & Bankruptcy Code 2016.

While DRT is a judicial forum which shall adjudicate upon the legality of the claim made by the Lender, and pass a judgment on the claim, the SARFAESI Act gives powers of enforcement of security interest to the Banks and Financial Institutions including ARCs without the intervention of the court, IBC 2016 is an Act to consolidate and amend the laws relating to re-organisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders

The provisions of the aforesaid Acts provide enough notice and opportunity to the borrowers to challenge the claims/actions of an ARC if the same are not in accordance with the laid down legal provisions and procedures.

A gist of safeguards available to the borrowers under various enactments is as under:-

A. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002(SARFAESI Act)

SARFAESI Act was enacted in the year 2002 and, in terms of this Act, powers of enforcement of security interest have been given to the Banks and Financial Institutions including ARCs without the intervention of the court. However, the powers given to the Banks and Financial Institutions are not unfettered and are subject to the principles of natural justice and fair play and ensure that there is no misuse of such powers by the Lender. Details of safeguards available to the Borrowers under the SARFAESI Act are as under:-

a) In terms of section 13(2) of the SARFAESI Act, the Secured Creditor is required to issue a Demand Notice of 60 days to the Borrower. The notice shall mention the outstanding dues including principal and interest at contractual rate till the date of issuance of notice, failing which the securities as detailed in the notice shall be sold to realize the dues of the secured creditor. In cases where service of the notice is

not complete for any reason, whatsoever, a copy of the same is pasted on the premises of the borrower where the borrower resides or works for gain and the same is also required to be published in two local newspapers, one in English and the other in a vernacular language.

b) Where the Borrower makes any representation in response to the demand notice, a reply to such representation, giving reason for non-acceptance of such objections of the Borrower is required to be sent within 15 days from the date of receipt of such representation,

c) Where the Borrower fails to make the payment as per the Demand notice, the Authorized Officer of the Secured Creditor may take possession of the secured asset of the Borrower u/s 13(4) of the SARFAESI Act. However, as procedure stipulated in the Security Interest (Enforcement) Rules, the possession notice is required to be pasted on the outer door/conspicuous place of the premises of the secured asset. The possession notice is also required to be published in two local newspapers, one in English and the other in vernacular language;

d) Before effecting sale of secured asset, the Authorised Officer of the Secured Creditor is required to have the secured asset valued as per Rule 8 (5) of the Security Interest (Enforcement) Rules. The valuation is required to be carried out by an approved Valuer, who shall also be registered with the Government under Section 34AB of the Wealth Tax Act, 1957. Further, the authorized officer is also required to fix the reserve price for the secured asset in consultation with the appropriate designated authority in the ARC. This procedure ensures that proper valuation of the security interest is done before effecting sale of security interest by the authorized officer of the secured creditor. Further, as per the provisions of the said Rules, the authorized officer of the Secured Creditor is required to give thirty days notice to the borrower (15 days for subsequent sale) before effecting sale of the secured asset. The sale notice is also required to be published in two local news paper having publication in the locality where the secured asset is situated and is also required to be pasted in the conspicuous part of the secured asset. This procedure ensures that adequate notice is given by the Secured Creditor to the Borrower before effecting sale of secured assets;

e) In terms of section 17 of the SARFAESI Act, the Borrower or any person aggrieved by any action taken by the Secured Creditor under section 13(4) of the SARFAESI Act is entitled to approach the DRT concerned within 45 days from the date on which possession is taken by the Secured Creditor. . Any person aggrieved

by the order of the DRT, is entitled to approach the Appellate Tribunal against the order passed by the DRT.

This procedure ensures that the action of the Secured Creditor is subject to judicial scrutiny and hence nullifies the chances of misuse of powers given to the Secured Creditor.

B. Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDB Act)

RDDB Act was enacted in the year 1993 for speedy recovery of the Debts due to the Banks and Financial Institutions. In terms of the provisions contained in the DRT Act, various Debts Recovery Tribunals (DRT) were established across the country. DRT is judicial forum which adjudicates upon the claims of the Banks and Financial Institutions and if found in order, passes order for recovery of debts due to such Banks and Financial Institutions. Once the order for recovery is passed, Recovery Officer attached to the concerned DRT proceeds to realize the dues owing to such Banks and Financial Institutions. In terms of the provisions contained in the DRT Act, a Bank or a Financial Institution to whom a Borrower owes a debt of Rs.20.00 lacs or more, may file application before the concerned DRT. DRT being a judicial Forum, no judgment/order detrimental to the interest of the Borrower/Guarantors shall be passed by the DRT without giving an opportunity of being heard to the Defendants. Relevant provisions of the DRT Act safeguarding the interest of the Borrowers are as under:-

- a) DRT shall be presided over by a Presiding Officer who shall be or qualified to be a District Judge. The Debts Recovery Appellate Tribunal, (DRAT) shall be presided over by Presiding Officer, who shall be or qualified to be a High Court Judge;
- b) In terms of the provisions contained in section 19(3) of the DRT Act, the Bank/FI concerned shall submit all the documents relied upon in support of the claim made by the said Bank / Financial Institutions;
- c) As per section 19(4) of the DRT Act, on receipt of the application from the Bank / Financial Institutions. concerned, summons is issued to the Defendants concerned to appear before the DRT.

d) Borrowers/Defendants are also given an opportunity to file written statement in reply to the application filed by the Bank / Financial Institutions for recovery of debts.

e) Borrowers/Defendants may also make, , if any, counter claim against the Bank / Financial Institutions while filing written statement to the application filed by the Bank/ Financial Institutions concerned.

f) Borrowers/Defendants are also entitled to submit evidence in support of their claim before the DRT and may also have examination of Bank/ Financial Institutions witness with the permission of the DRT ;

g) After examination of the claims of the Bank / Financial Institutions concerned as well as the Borrower / Defendants, if the DRT comes to the conclusion that claim made by the Bank/ Financial Institutions is valid, DRT shall pass judgment / Final Order in favour of the said Bank / Financial Institutions. Thereafter, Recovery Officer attached to the DRT shall proceed to recover the dues of the Defendants by attachment and sale of the movable and immovable properties of the Defendants.

h) If Borrower / Defendants are aggrieved by any order of the Presiding Officer, the Borrower/ defendants concerned may approach the Appellate authority viz; the Debts Recovery Appellate Tribunal (DRAT) for remedy, within forty five days from the date on which the order is made.

i) If any person is aggrieved by an order of the Recovery Officer under the DRT Act, an appeal can be filed before the Presiding Officer, within thirty days from the date on which order is made available to him. In view of the above, the provisions of the DRT Act are in compliance with the principles of natural justice as adequate opportunity is given to the Borrower/Defendants to contest the claim of the Bank / Financial Institutions concerned before the DRT.

C. Engaging Recovery Agents

Pegasus appoints lawyers to represent the Company in various court proceedings and or before Judiciary/Quasi-Judiciary/Statutory Authorities on a case to case basis in recovery related legal proceedings. Such lawyers are appointed only to assist and or counsel the Company in legal matters only.

Safeguards available to the Borrowers under the regulatory guidelines

The retail loans acquired by an ARC also include housing loans, personal loans and vehicle loans and the most commonly adopted means for recovery of personal loans is through engaging Recovery Agents, who shall follow up with the Borrowers for repayment of the amounts due. In order to ensure that the Recovery Agents engaged by the Lenders do not indulge in malpractices and to avoid undue hardships being caused to the Borrowers, Reserve Bank of India (RBI) has issued Guidelines dated April 24, 2008 for regulating the functioning of Recovery Agents. Salient features of the aforesaid Guidelines issued by RBI to Banks/ Financial Institutions; while engaging Recovery Agents are as under:-

- a) Banks/ Financial Institutions should have a due diligence process in place for engagement of recovery agents, which should be so structured to cover, among others, individuals involved in the recovery process ;
- b) To ensure due notice and appropriate authorization, banks/ Financial Institutions should inform the borrower the details of recovery agency firms / companies while forwarding default cases to the recovery agency. Further, since, in some of the cases, the borrower might not have received the details about the recovery agency due to refusal / non- availability / avoidance and to ensure identification, it would be appropriate if the agent also carries a copy of the notice and the authorization letter from the bank/ Financial Institutions along with the identity card issued to him by the bank/ Financial Institutions or the agency firm / company. Further, where the recovery agency is changed by the bank/ Financial Institutions during the recovery process, in addition to the bank/ Financial Institutions notifying the borrower of the change, the new agent should carry the notice and the authorization letter along with his identity card;
- c) The notice and the authorization letter should, among other details, also include the telephone numbers of the relevant recovery agency. Banks/ Financial Institutions should ensure that there is a tape recording of the content / text of the calls made by recovery agents to the customers, and vice-versa. Banks/ Financial Institutions may take reasonable precaution such as intimating the customer that the conversation is being recorded, etc;
- d) The up to date details of the recovery agency firms / companies engaged by banks/ Financial Institutions may also be posted on the banks/ Financial Institutions web site;

e) Where a grievance/ complaint has been lodged, banks/ Financial Institutions should not forward cases to recovery agencies till they have finally disposed of any grievance / complaint lodged by the concerned borrower. However, where the bank/ Financial Institutions is convinced, with appropriate proof, that the borrower is continuously making frivolous / vexatious complaints, it may continue with the recovery proceedings through the Recovery Agents even if a grievance / complaint is pending with them. In cases where the subject matter of the borrower's dues might be *sub judice*, banks/ Financial Institutions should exercise utmost caution, as appropriate, in referring the matter to the recovery agencies, depending on the circumstances;

f) Each bank/ Financial Institutions should have a mechanism whereby the borrowers' grievances with regard to the recovery process can be addressed;

g) In the matter of taking possession of mortgaged properties and repossession of hypothecated vehicles, the Banks/ Financial Institutions shall rely only on legal remedies available under the relevant statutes while enforcing security interest without intervention of the Courts. Further, before taking possession of vehicles, Banks/ Financial Institutions shall give due notice to the borrowers before taking repossession of the vehicles. Pegasus will follow the provisions of the aforesaid RBI guidelines in its retail collection procedure except in cases where the collection of loans are carried out by the Seller Bank/ Financial Institutions itself. Further, in the matter of recovery of loans, Pegasus will not resort to practices prohibited under the directive of Supreme Court/RBI.

Pegasus will release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim Pegasus may have against the borrower. Notice to the borrower with full particulars about the remaining claims and the conditions under which Pegasus is entitled to retain the securities till the relevant claim is settled /paid will be given if such right of set off is to be exercised. Pegasus will not interfere in the affairs of the borrower except for the purpose provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of Pegasus).

4. PRIVACY AND CONFIDENTIALITY

Pegasus will treat the information of borrower even when the borrower is no longer a borrower as private and confidential and will not reveal the data or information of borrower to anyone including other companies in the group except when:

- a) required by law/regulation applicable;
- b) there is duty towards public to reveal such information;
- c) our interest requires giving information as per the law of the country;
- d) with borrower's permission.

5. GUARANTORS

Pegasus will follow due process of law for recovering any money due under the guarantee agreements against the loans of the concerned borrower. In no case Pegasus shall resort to any unfair means or practice to recover money legitimately recoverable from the guarantors.

Pegasus shall inform the guarantors through formal notice in writing about details of the loan and his or her obligations under the guarantee agreements as and when guarantees are to be invoked.

Any material changes in the terms of the loan should be informed to the guarantors in writing so that guarantors become aware of the changes if any with respect to their obligations.

Pegasus shall ensure that in case of individual guarantors no harassment at family level is done while following up recovery of dues of the borrower under guarantee obligation.

6. INVESTORS IN SECURITY RECEIPTS

- a) Pegasus will make best and sincere efforts possible under the circumstances, to meet the commitments as represented in the offer documents, for the services offered by Pegasus as Trustee and also maintain total transparency in all its dealings and actions in the capacity of Trustee.
- b) Pegasus will ensure absolute transparency in dealing with existing and proposed investors.
- c) The prospective investors will be given all the information available with Pegasus on any deal proposed to be entered between Pegasus as manager & trustee of the trust on one hand and proposed investor on the other hand.

- d) Pegasus will not misuse the funds provided by investors on the basis of trust. The funds shall not be utilized for any purposes other than acquiring the financial assets, making any payments and charges directly related to said acquisition, reimbursement of expenses incurred in relation to acquisition & resolution of said asset.
- e) Pegasus shall not take any decision that may adversely affect the rights of the SR Holders in any manner whatsoever. Any modification proposed to be made that may amount to significant alteration of rights of the investors will be carried out only after the consent of at least 75 % of investors.
- f) Pegasus will adopt non discriminative, fair and transparent policies in acquisition,
- g) Unless required by law enforcement agencies or regulatory authorities, Pegasus will treat all the information pertaining to investors as strictly private & confidential.

7. GRIEVANCE REDRESSAL

Pegasus shall make sincere and best possible efforts to address grievances of any stake holders/investors/borrowers.

The borrowers/other stakeholders can record their grievances in writing. The borrowers/other stakeholders can approach Pegasus to register their grievances through any of the modes mentioned below and expect a response or resolution of the grievance, as the case may be, within 15 working days of registration of grievance. However, in exceptional cases, Pegasus may take longer time to respond. In such case, Pegasus shall inform the borrower the reasons for delay and the expected time frame for resolution.

Level 1

Borrowers/other stakeholders can use any of the following options to register their grievance: Email at sys@pegasus-arc.com OR

Write to

Mr. Dhimant Shah

Company Secretary

Pegasus Assets Reconstruction Pvt. Ltd.

55, 5th Floor, Free Press House, Nariman Point

Mumbai – 400 021 Tel: +91 22 61884700

Email- dhimant@pegasus-arc.com

Level 2 (Escalation)

In case of no response from the Company within 15 working days or the borrowers/other stakeholders is not satisfied with the resolution of the grievance, then the borrowers/other stakeholders may write to the Managing Director & Chief Executive Officer:

Write to

Mr. Kishore Srinivasan

Managing Director & Chief Executive Officer

Pegasus Assets Reconstruction Pvt. Ltd.

55,56, 5th Floor, Free Press House, Nariman Point Mumbai – 400 021

Tel: +91 22 61884700

Email- kishore@pegasus-arc.com

The Company will respond to the above escalation under Level 2 within 7 working days. In case a grievance is not redressed by Pegasus within a period of 30 working days of the registration of grievance under Level 1 above, the borrowers/other stakeholders may then escalate the grievance to the Reserve Bank of India and write to

Reserve Bank of India, Department of Non-Banking
Supervision, 2nd Floor, Centre 1 Building, World Trade
Centre Complex, Cuffe Parade, Mumbai – 400 0059.

8. GENERAL

Fair Practice Code will be displayed on the website of Pegasus for the information of all the stakeholders.

Compliance with the Fair Practice Code will be reviewed annually by the Board.