COMPROMISE SETTLEMENTS AND TECHNICAL WRITE-OFFS

Specific Applicability	Part B of the RBI (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025
Approving Authority	Board of Directors
Review Frequency	At least annually and whenever required by changes in applicable RBI directions

1. PURPOSE

The purpose of this Policy is to establish a Board-approved framework for the identification, evaluation, approval, documentation, implementation and monitoring of compromise settlements and technical write-offs undertaken by Comero Leasing and Financials Private Limited ("Company" / "CLFPL").

The objective of a compromise settlement is to maximise the possible recovery from a distressed borrower at minimum expense and in the best interest of the Company. A compromise settlement is a commercial decision of the Company and is not available to a borrower as a matter of right.

A technical write-off is an accounting measure for cleansing the balance sheet of eligible bad debts without waiving the Company's claims or prejudicing its recovery rights.

2. REGULATORY BASIS AND APPLICABILITY

This Policy is framed with reference to the Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025, as updated on July 1, 2026 ("RBI Stressed Assets Directions").

The RBI Directions state that Part B applies to a non-deposit taking NBFC with asset size of less than ₹500 crore. Part B applies the specified provisions of Part A mutatis mutandis, including the Board-approved policy requirements and the provisions governing compromise settlements and technical write-offs.

Accordingly, this Policy is applicable to the Company, subject to the Company's continued status as an NBFC-BL having customer interface and availing public funds. If the Company's regulatory classification, asset size, public-funds status or business model changes, applicability shall be reassessed.

Where any provision of this Policy is inconsistent with an applicable RBI direction, circular, notification, clarification or amendment, the applicable regulatory requirement shall prevail and this Policy shall be amended accordingly.

3. SCOPE

This Policy applies to all loan / credit exposures of the Company that are considered for compromise settlement or technical write-off, including retail and small-ticket lending exposures, to the extent permitted under applicable law and RBI directions.

The Policy does not create any entitlement in favour of a borrower to obtain a settlement, waiver, write-off or fresh credit.

4. DEFINITIONS

4.1 Compromise Settlement

A negotiated arrangement with a borrower to fully settle the claims of the Company against the borrower in cash. It may involve sacrifice by the Company with corresponding waiver of its claims to the extent of the sacrifice.

4.2 Technical Write-off

An accounting procedure under which a non-performing asset remains outstanding at the borrower's loan-account level but is written off, fully or partially, for accounting purposes, without waiver of claims against the borrower and without prejudice to recovery.

4.3 Restructuring

For this Policy, restructuring includes an arrangement involving concessions to a borrower due to financial difficulty, including a compromise settlement where the agreed settlement amount is payable over a period exceeding three months. Any arrangement involving part settlement with the borrower is also treated as restructuring under the RBI Directions.

4.4 Sacrifice

The amount of the Company's enforceable dues that is waived as part of a compromise settlement.

4.5 Cooling Period

The period during which the Company shall not assume fresh exposure to a borrower following a compromise settlement, as prescribed under this Policy.

5. CORE PRINCIPLES

- Commercial prudence: Every proposal shall be evaluated on the basis of expected recovery, time value of money, costs of continued recovery/litigation, and the overall best interest of the Company.
- No borrower right: A compromise settlement is discretionary and shall not be treated as a contractual or automatic entitlement.
- No evergreening: No settlement, restructuring, fresh finance or accounting entry shall be used to conceal stress, avoid appropriate asset classification or artificially reduce provisioning.
- No conflict of interest: The officer/committee approving a compromise settlement or technical write-off shall comply with the hierarchy and sanctioner-exclusion requirements in this Policy.
- Recovery rights preserved: Technical write-off shall not amount to waiver of the Company's claim or discontinuation of recovery action.
- Regulatory classification preserved: A settlement proposal shall not suspend or override applicable asset-classification, income-recognition or provisioning requirements.

6. IDENTIFICATION OF FINANCIAL DIFFICULTY AND STRESS

The Company shall maintain a mechanism for early identification of incipient stress. For loans, default shall be recognised promptly and accounts shall be classified into SMA categories in accordance with applicable RBI requirements.

For this purpose, the SMA categories are:

SMA Category	Basis
SMA-0	Up to 30 days overdue
SMA-1	More than 30 days and up to 60 days overdue
SMA-2	More than 60 days and up to 90 days overdue

The above classification applies irrespective of the size of the Company's exposure. Financial difficulty may also be identified even where the account is not yet in arrears, based on qualitative and quantitative indicators such as probable future default, insufficient cash flows to service debt, NPA status or likely NPA status without concessions, and deterioration under the Company's internal credit assessment.

The Company shall supplement such indicators with relevant financial, operational and borrower-specific parameters appropriate to its lending portfolio.

7. BOARD-APPROVED FRAMEWORK FOR COMPROMISE SETTLEMENTS

The Company shall process compromise settlements only in accordance with this Policy and applicable RBI requirements. There shall be no prescribed minimum DPD/NPA threshold as a condition for every compromise settlement, because the RBI framework does not make compromise settlement available only after a fixed ageing period. However, the proposal shall establish the borrower's distress, the commercial rationale and why the proposed settlement is in the best interest of the Company.

7.1 Minimum conditions for consideration

- Documented evidence of financial difficulty, stress or recovery circumstances justifying settlement.
- A reasoned assessment of expected recovery under continued recovery/litigation versus the proposed settlement.
- Prudent assessment of the current realisable value of security/collateral, where available.
- Calculation of the proposed sacrifice and reasons supporting the proposed settlement amount.
- Verification that the arrangement is not being used to evergreen the account or conceal its true status.
- Appropriate approval under the delegation matrix in this Policy.

7.2 Permissible sacrifice

The Company shall not apply an arbitrary fixed percentage cap on sacrifice. The permissible sacrifice shall be determined case-by-case based on commercial prudence and the current realisable value of security/collateral, where available. The settlement note shall document the basis for the proposed sacrifice.

7.3 Methodology for realisable value of security

- Where a formal valuation is available or required under another applicable policy/law, the same shall be considered.
- For small-ticket unsecured exposures, where no collateral exists, the analysis may rely on verified borrower cash flows, repayment capacity, recovery history, legal/recovery costs and expected time to recovery.
- The settlement note shall record the methodology, assumptions and supporting evidence used.

8. APPROVAL AND DELEGATION

The authority approving a compromise settlement or technical write-off shall be at least one level higher in hierarchy than the authority vested with power to sanction the underlying credit/investment exposure.

Any official who was part of sanctioning the loan/exposure, whether individually or as part of a committee, shall not participate in approval of the compromise settlement of the same account in any capacity.

The Company's internal delegation matrix may prescribe stricter thresholds, additional approvals or lower delegated limits, but shall not dilute the minimum RBI requirements.

Exposure / Case	Minimum approval requirement	Mandatory control
Normal compromise settlement / technical write-off	Authority at least one level higher than original sanctioning authority	Sanctioner exclusion; documented commercial rationale
Fraud / Wilful Defaulter	Board approval in all cases	Without prejudice to criminal/penal proceedings
Board-level committee	Reported to Board	Quarterly reporting

9. FRAUD, MALFEASANCE AND WILFUL DEFAULT

The Company may undertake compromise settlements or technical write-offs in respect of borrowers classified as fraud or wilful defaulter, where permitted under the RBI framework. Such action shall be without prejudice to criminal proceedings underway or to be initiated.

Any compromise settlement in respect of a borrower classified as fraud or wilful defaulter shall require approval of the Board in all cases.

Applicable penal measures under the RBI directions relating to fraud risk management and wilful defaulters/large defaulters shall continue to apply notwithstanding the compromise settlement or technical write-off.

No settlement agreement shall require the Company to discontinue or compromise criminal proceedings as a condition of settlement.

10. RESTRUCTURING TRIGGER

A compromise settlement where the agreed settlement amount is payable over a period exceeding three months shall be treated as restructuring. Any arrangement involving part settlement with the borrower shall also be treated as restructuring.

Where a proposed settlement triggers restructuring, the Company shall not process it merely as an OTS/settlement. The account shall be dealt with under the applicable RBI restructuring requirements and the Company's Board-approved restructuring framework, including applicable asset classification, income recognition, provisioning, viability and documentation requirements.

In particular, restructuring shall not be undertaken with retrospective effect; usual asset-classification norms shall continue while a restructuring proposal is under consideration; and restructuring shall be supported by an assessment of financial viability and reasonable certainty of repayment. Any restructuring that merely postpones recognition of stress or is undertaken without appropriate viability assessment may amount to evergreening and shall not be permitted.

11. EXECUTION OF COMPROMISE SETTLEMENT

- A formal settlement/OTS offer is provided.
- The offer shall specify the settlement amount, payment schedule, consequences of default, release/waiver limited to the agreed terms.
- Where payment of the agreed settlement amount exceeds three months, the arrangement shall be treated as restructuring rather than a compromise settlement under this Policy.
- Any contingent future recovery arrangement shall be documented appropriately. Such contingent claims shall not be recognised on the balance sheet until actual realisation; recognition otherwise may cause the arrangement to be treated as restructuring.
- Where recovery proceedings are pending before a judicial forum, any settlement shall be subject to obtaining the requisite consent decree/order from the concerned judicial authority.

12. TECHNICAL WRITE-OFFS

A technical write-off may be undertaken where the Company considers the asset to be appropriate for accounting write-off, including where the asset is unrecoverable or continued recovery is likely to consume disproportionate resources, subject to applicable provisioning and asset-classification requirements.

A technical write-off shall not constitute waiver of the Company's claim. The borrower remains liable and the Company's legal and recovery rights remain unaffected.

For a partial technical write-off, prudential requirements relating to the residual exposure, including provisioning and asset classification, shall be determined with reference to the original exposure. The provision, including the amount representing the partial technical write-off, shall meet the extant provisioning requirements computed on the gross value of the asset.

The Company's accounting treatment shall be aligned with applicable RBI prudential norms and the applicable accounting framework. Recovery from a technically written-off account shall be appropriately recorded in the books in accordance with the applicable accounting standards and internal accounting policy.

13. COOLING PERIOD AND FRESH EXPOSURE

For borrowers subject to compromise settlement, the Company shall observe a cooling period before assuming fresh exposure. The cooling period shall have a minimum floor of 12 months from the date of compromise settlement and may be higher if prescribed by the Board.

An account may be considered for **technical write-off after classification as an NPA**, where they remain NPA for 90 days or the amount remains overdue for more than180 days, in accordance with applicable RBI norms.

Technical write-off shall be an accounting procedure and shall not waive the Company’s right to recover the outstanding dues. The write-off shall be appropriately authorised and documented, and any subsequent recovery shall be accounted for in accordance with applicable requirements.

The cooling period shall be without prejudice to any penal measures applicable to borrowers classified as fraud or wilful defaulter.

14. REPORTING TO HIGHER AUTHORITY AND BOARD

There shall be a **quarterly reporting mechanism to the Board** in respect of all compromise settlements and technical write-offs approved during the preceding quarter. The Board-approved reporting format shall, at a minimum, cover:

- Trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off, quarter-on-quarter and year-on-year.
- Separate break-up of accounts classified as fraud, red-flagged, wilful default and quick-mortality accounts, where applicable.
- Grouping by amount, sanctioning/approving authority, business segment and asset class.
- Extent of recovery from technically written-off accounts.

15. STAFF ACCOUNTABILITY

The Company shall maintain a graded framework for examination of staff accountability in cases of compromise settlement and technical write-off, with reasonable thresholds and timelines approved by the Board.

- Accounts settling or being written off soon after sanction may be subjected to enhanced review as per the Company's internal thresholds.
- The review shall distinguish genuine business/borrower circumstances from procedural lapses, negligence, misconduct, fraud or deliberate circumvention of controls.
- Where misconduct or deliberate violation is identified, appropriate disciplinary, recovery, civil or criminal action may be initiated in accordance with applicable law and the Company's HR/disciplinary framework.

16. DOCUMENTATION AND AUDIT TRAIL

Each compromise settlement and technical write-off shall have a complete and auditable case file, whether maintained electronically or physically. The file shall contain, as applicable:

- Account statement and relevant sanction/loan documents.
- Evidence of default/stress and asset classification.
- Borrower representations and supporting financial/distress information.
- Settlement note setting out commercial rationale, expected recovery, costs, sacrifice and approval recommendation.
- Approval record and evidence of compliance with delegation and conflict-of-interest requirements.
- Executed settlement agreement and payment/realisation evidence.
- Details of litigation/recovery proceedings and consent decree/order, where applicable.
- Technical write-off approval, accounting entry and subsequent recovery tracking, where applicable.
- Records required for reporting to management, Board, credit information companies and/or regulatory authorities.

Records shall be retained for the period required under applicable law, RBI directions and the Company's record-retention policy.

17. REGULATORY REPORTING AND DISCLOSURES

The Company shall comply with applicable RBI requirements for credit information reporting, SMA/default reporting, regulatory returns, financial-statement disclosures and other reporting obligations that become applicable to an account or resolution action.

Where applicable, the Company shall comply with requirements relating to submission of financial information to information utilities under the Insolvency and Bankruptcy Code, 2016 and the applicable IBBI framework.

The Company shall make suitable disclosures in its financial statements/Notes to Accounts as required under the RBI financial-statement and disclosure directions applicable to the Company.

18. PROHIBITION ON EVERGREENING

No compromise settlement, technical write-off, restructuring, additional finance, rollover, accounting adjustment or related transaction shall be used with the intent to conceal the actual status of an account or evergreen a stressed exposure.

Any employee or officer identifying a transaction that may result in concealment of stress or circumvention of asset-classification/provisioning requirements shall escalate the matter to the designated senior authority and, where appropriate, Internal Audit/Compliance.

19. GOVERNANCE, AUDIT AND REVIEW

The implementation of this Policy shall be subject to periodic management oversight and internal audit. Material deviations, control failures and significant trends shall be reported to the appropriate senior management authority and the Board.

The Policy shall be reviewed at least annually and earlier where required due to changes in RBI directions, applicable law, the Company's regulatory classification, business model or material changes in its recovery/credit processes.

20. RESPONSIBILITIES

- Board of Directors: Approve this Policy; prescribe/approve material delegation and reporting framework; approve fraud/wilful-defaulter compromise settlements in all cases; review material trends and policy outcomes.
- Management / Stressed Assets or Collections Function: Implement the Policy, prepare settlement/write-off proposals, maintain records and ensure approval routing.
- Finance: Ensure appropriate accounting, provisioning and financial reporting treatment.
- Compliance: Monitor regulatory alignment and advise on changes in applicable RBI requirements.
- Internal Audit: Independently test adherence, approval controls, documentation, accounting treatment and recovery tracking.
- Approving Authorities: Ensure commercial rationale, authority hierarchy, absence of conflict and compliance with this Policy before approval.

21. POLICY OVERRIDING PROVISION

If any provision of this Policy is inconsistent with an applicable statutory provision, RBI direction, circular, notification or binding clarification, the statutory/regulatory requirement shall prevail to the extent of the inconsistency. The Company shall place necessary amendments to this Policy before the Board for approval at the earliest practicable opportunity.