

POLYTEX INDIA LIMITED

5th Floor, 5b, Technopolis Knowledge Park, Mahakali Caves Road, NrUdyogBhavanChakala Andheri East, ChakalaMIDC,
Mumbai, Maharashtra, India, 400093

Tel.: +91 99200 32944 • Website : www.polytexindia.com •
Email : polytexindia@gmail.com, CIN : L51900MH1987PLC042092

To,

Date: 19.06.2024

BSE Limited

Corporate Relationship Department,
PhirozeJeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001

Script: 512481/Script ID: POLYTEX

Subject: Certificate of Registration issued by RBI stands cancelled

Respected Sir/ Madam,

With reference to the above cited subject kindly note that

Certificate of Registration bearing no. 13.00039 dated 20th February, 1998 issued by Reserve Bank of India to carry on the business of Non-Banking Financial Institution stands cancelled. Reserve Bank of India has exercised its power under section 45-IA (6) of Reserve Bank of India Act, 1934 and has cancelled our Certificate of Registration to carry on the business of Non-Banking Financial Institution.

Copy of Order is attached.

The above is for your information and record.

Thanking You,

Yours Faithfully,

For Polytex India Limited

Arvind Mulji Kariya

Arvind Mulji Kariya
DIN: 00216112
Director and CFO





भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

CO.DOS.SED.No.S2077/13-05-101/2024-2025

June 18, 2024

Registered Post with AD

सीईओ/निदेशक,
पॉलीटेक्स इंडिया लिमिटेड
5वीं मंजिल, 5बी, टेक्नोपोलिस नॉलेज पार्क,
महाकाली केव्स रोड, उद्योग भवन के पास, चकला,
अंधेरी ईस्ट, मुंबई
महाराष्ट्र- 400093

The CEO/Director,
M/s Polytex India Limited
5th Floor, 5B, Technopolis Knowledge park,
Mahakali Caves Road, Near Udyog
Bhavan, Chakala, Andheri East, Mumbai
Maharashtra- 400093

महोदय/Dear Sir,

स्वैच्छिक आधार पर पंजीकरण प्रमाणपत्र रद्द करना – पॉलीटेक्स इंडिया लिमिटेड

Cancellation of Certificate of Registration - M/s Polytex India Limited

कृपया आपकी कंपनी को गैर बैंकिंग वित्तीय संस्था का कारोबार करने के लिए 20 फरवरी 1998 को दिनांकित पंजीकरण प्रमाणपत्र सं.13.00039 का संदर्भ ले। आपको, इसके द्वारा, सूचित किया जाता है कि भारतीय रिज़र्व बैंक अधिनियम, 1934 की धारा 45-IA (6) के द्वारा प्रदत्त अधिकारों का प्रयोग करते हुए भारतीय रिज़र्व बैंक द्वारा संलग्न दिनांक 12 जून 2024 के आदेश के अनुसार दिनांक 20 फरवरी 1998 पंजीकरण प्रमाणपत्र सं. 13.00039 को रद्द किया गया है। उल्लिखित को ध्यान में रखते हुए, कृपया नोट करें कि आपकी कंपनी भारतीय रिज़र्व बैंक अधिनियम, 1934 की धारा 45-1 का खंड (a) में परिभाषित गैरबैंकिंग वित्तीय संस्था का कारोबार नहीं चला सकती है और इसमें चूक करने पर भारतीय रिज़र्व बैंक अधिनियम, 1934, की धारा 58B(4A) के तहत दंडात्मक कार्रवाई को आकर्षित होगी।

Please refer to the Certificate of Registration bearing no. 13.00039 dated February 20, 1998, to carry on the business of Non-Banking Financial Institution. You are, hereby, notified that in terms of the enclosed 'Order' dated June 12, 2024, passed by the Reserve Bank of India in exercise of its powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the said Certificate of Registration No. 13.00039 dated February 20, 1998, stands cancelled. In view of this, please note that your company cannot transact the business of a Non-Banking Financial Institution as defined in Clause (a) of Section 45-I of the RBI Act, 1934 and failure to do so shall attract penal action under Section 58B(4A) of the RBI Act, 1934.

2. आपको निर्देशित किया जाता है कि आप अपने जमाकर्ताओं को, कोई हो तो, सूचित करें कि भारतीय रिज़र्व बैंक द्वारा पंजीकरण प्रमाणपत्र को रद्द किया गया है। जमाकर्ताओं को, कोई हो तो, उनकी जमा राशियों की चुकौती के संबंध में कार्ययोजना के संबंध में आपकी कंपनी की निविदा

2. You are directed to advise your depositors, if any, of cancellation of the Certificate of Registration by Reserve Bank of India. The depositors should also be advised of the plan of action for repayment of their deposits, if any, by your company as contracted. Non-compliance



के अनुसार सूचित किया जाए। उल्लिखित हिदायतों का अनुपालन न करने पर भारतीय रिज़र्व बैंक अधिनियम, 1934 के तहत दण्डात्मक कार्रवाई आकर्षित होगी।

3. तथापि, आप यह नोट करें कि अभी भी आपकी कंपनी भारतीय रिज़र्व बैंक अधिनियम, 1934 और भारतीय रिज़र्व बैंक द्वारा समय समय पर जारी दिशानिदेश / सूचनाओं के संबंधित प्रावधानों से ऐसे अवधि तक विनियमित होती रहेगी कि जब तक आपकी कंपनी द्वारा धारण की गई जनता की पूरी जमा राशियां, कोई हो तो, ब्याज के साथ वापस नहीं की जाती हैं। तदनुसार, आपको जमा राशियां, कोई हो तो, उनकी देय तारीख को वापस करना जारी रखना होगा, कोई हो तो, और पंजीकरण प्रमाणपत्र रद्द किए जाने की तारीख से तीन वर्ष के भीतर वित्तीय आस्तियों का निबटारा करना होगा और इसे कुल आस्तियों के 50% से कम लाना होगा।

4. आपकी कंपनी ने इसके द्वारा, गैरबैंकिंग वित्तीय संस्था का कारोबार न करने के संबंध में निदेशक मंडल द्वारा विशिष्ट प्रस्ताव पारीत करना आवश्यक है और उसकी सत्यापित प्रति और सांविधिक लेखा परीक्षक का उसे प्रमाणित करने वाला प्रमाणपत्र हमारे रिकार्ड के लिए प्रस्तुत करें। किसी भी प्रावधानों के उल्लंघन के संबंध में, पूर्वोक्त, भारतीय रिज़र्व बैंक अधिनियम 1934, के अध्याय V के दण्डात्मक प्रावधानों की ओर आपका ध्यान आकर्षित किया जाता है।

5. इस आदेश की प्राप्ति के तुरंत बाद कंपनी को बैंक द्वारा जारी मूल पंजीकरण प्रमाणपत्र संख्या 13.00039 दिनांकित 20 फरवरी 1998 का अभ्यर्पण करने की सलाह दी जाती है।

6. कृपया पावती भेजें।

with the above instructions shall attract penal action under RBI Act, 1934.

3. You should, however, note that your company still continues to be governed by the relevant provisions of the Reserve Bank of India Act, 1934 and various directions / instructions issued by RBI from time to time until such time the entire amount of public deposits, if any, held by your company is fully re-paid with interest. Accordingly, you should continue to repay the deposits, if any, on the due dates and dispose of the financial assets and bring it below 50% of the total assets within three years from the date of the cancellation of Certificate of Registration.

4. Your company is, hereby, further required to pass a specific Board Resolution not to carry on the business of a Non-Banking Financial Institution and submit a certified copy thereof and a Statutory Auditors certificate to that effect for our record. Your attention is also drawn to the penal provisions contained in Chapter V of the Reserve Bank of India Act, 1934 for violation of any provisions of the Act, *ibid*.

5. The Company is advised to surrender the original Certificate of Registration No. 13.00039 dated February 20, 1998, issued to the company immediately to the Bank on receipt this order.

6. Please acknowledge receipt.

भवदीय,

(एम जी सुप्रेभात)

महाप्रबंधक

संलग्नक: यथोक्त



**Reserve Bank of India
Department of Regulation
Central Office, Mumbai**

*In exercise of the powers conferred by sub-section (6) of
Section 45-IA of the Reserve Bank of India Act, 1934,
the Reserve Bank of India passes the following order in the matter of*

M/s Polytex India Ltd

M/s Polytex India Ltd ("the company") bearing CIN - L51900MH1987PLC042092, having its current registered office at 5th Floor, 5B, Technopolis Knowledge Park, Mahakali Caves Road, Near Udyog Bhavan, Chakala, Andheri (E), Mumbai, 400093, was incorporated on January 05, 1987 under the provision of the Companies Act, 1956. Consequent to the company's application for the grant of a Certificate of Registration ("CoR") under the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 ("the RBI Act"), the Reserve Bank of India ("the Bank") granted a CoR bearing No. 13.00039 dated February 20, 1998, to the company to commence and carry on the business of a Non-Banking Financial Institution (NBFI) under the category of a non-deposit taking Non-Banking Financial Company (NBFC-ND). The said CoR was issued to the company subject to compliance with the provisions of the RBI Act, guidelines/ directions issued by the Bank from time to time and the terms/ conditions subject to which the CoR was issued to it.

2. In terms of sub-section (6) of Section 45-IA of the RBI Act, the Bank is empowered to cancel a CoR granted to an NBFC, if such company:

- (i) ceases to carry on the business of an NBFI in India; or
- (ii) has failed to comply with any condition subject to which the CoR had been issued to it; or
- (iii) at any time fails to fulfil any of the conditions referred to in clauses (a) to (g) of sub-section (4) of Section 45-IA of the RBI Act; or
- (iv) fails—
 - a) to comply with any direction issued by the Bank under the provisions of Chapter III-B of the RBI Act, or
 - b) to maintain accounts in accordance with the requirements of any law or any direction or order issued by the Bank under the provisions of Chapter III-B of the RBI Act; or





c) to submit or offer for inspection its books of account and other relevant documents when so demanded by an inspecting authority of the Bank; or
(v) has been prohibited from accepting deposits by an order made by the Bank under the provisions of Chapter III-B of the RBI Act and such order has been in force for a period of not less than three months.

3. The Bank had received multiple references and complaints against the company and its Digital Lending Partner (DLP) regarding their involvement in unfair lending practices, charging exorbitant interest rates, and violation of "Fair Practices Code (FPC)". Consequently, the Bank conducted onsite scrutiny at the company's registered office and found that it was not operating from its registered address – 401, 4th Floor, Nisarg Apartment, Besant Road, Vile Parle West, Mumbai, 400056. Subsequently, the Bank conducted an offsite scrutiny of the available records in August 2022. The scrutiny revealed that the company was engaged in corporate lending as well as providing small ticket retail loans sourced digitally through 'Z2P' mobile application, owned and operated by M/s Zatech Technologies Private Limited (ZTPL). The company had disbursed ₹3.66 crore worth of loans digitally through Z2P. The agreement with ZTPL was effective from September 03, 2019, and the last loan was disbursed on June 03, 2020. The scrutiny further revealed acts of omission and commission on the part of the company thereby contravening and non-complying with various directions issued by the Bank.

4. Based on the above findings, a Show Cause Notice (SCN) was issued by the Bank on September 22, 2023, calling upon the company to explain as to why the CoR issued to it should not be cancelled under Section 45-IA (6) (iv) of the RBI Act. The company submitted its response to the SCN on December 01, 2023. Responses to subsequent queries were received from the company on December 15, 2023, January 12, 2024, and January 25, 2024. The company did not make any request for a personal hearing. The violations stated in the SCN issued to the company, the company's response to the SCN, and subsequent clarifications/submissions made by the company were considered carefully by the Bank. The conclusions of the Bank with respect to the violations are as follows:





5. Violation of Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Direction, 2016 bearing No. DNBR.PD.007/03.10.119/2016-17 dated September 01, 2016 (hereinafter referred to as “the Master Direction”).

5.1.1 Contravention observed by the Bank:

- a) The company entered into a service agreement with ZTPL on September 03, 2019 for lending operations through the mobile app called 'Z2P'. According to the Service Agreement, ZTPL was responsible for client sourcing, Know Your Customer (KYC) verification, credit appraisal, loan disbursement, loan recovery, follow-up with borrowers, and attending and resolving borrowers' complaints. Further, upon scrutiny of the company's bank statements, it was observed that ZTPL had placed its funds as “Security Deposit” with the company, and the same fund was used for lending purposes by ZTPL.
- b) The key activities viz., customer acquisition, bringing in funds for loan disbursements, loan monitoring and collections were observed to be outsourced to ZTPL, in exchange for a fee. The company was assured a percentage of the interest income generated from the loans. Meanwhile, ZTPL received a “commission” equivalent to the remaining portion of the interest or fee collected from the borrower.
- c) The loan disbursement account was operated by M/s Paymate India Private Limited (PIPL). It was observed that PIPL had acquired ZTPL in May 2018. In effect, ZTPL itself controlled the disbursement account. The aforesaid acts amounted to the use of CoR granted to the company by ZTPL for pecuniary consideration

Thus, the company in effect outsourced its core functions to ZTPL, thereby violating para 2 of Annex XIX of the Master Direction.

5.1.2 Reply of the company regarding the alleged violation:

- a) The company submitted that it had never outsourced its core management functions, however, some of the activities done by ZTPL were finally checked, reviewed, and approved by the company. The company further submitted that the “Security Deposit” taken from ZTPL was to safeguard itself from any non-performance of services, as was mutually agreed between both parties.





- b) The company provided a pre-disbursement flow chart illustrating its role as the lender, with ZTPL assisting the company. Likewise, the disbursement flow chart submitted by the company depicted its role as the lender.
- c) The company stated that the role of ZTPL was confined to disbursing funds to borrowers after approval. Furthermore, the company asserted that it was unaware of the relationship between ZTPL and PIPL at the time of executing the agreement.

5.1.3 Conclusion of the Bank:

- a) With regard to the outsourcing of core management functions, the company failed to furnish any documentary evidence to substantiate its assertions. Additionally, while acknowledging the receipt of the "Security Deposit" from ZTPL, the company failed to address the observation regarding the utilisation of funds obtained from ZTPL. The company was transferring funds received from ZTPL to its disbursement account, and the same was being utilised to lend to the customers acquired by ZTPL. The flow of funds depicted that ZTPL was lending its own funds using the NBFC account as a medium.
- b) The pre-disbursement flow chart submitted by the company indicated that the KYC verification and credit underwriting was undertaken by ZTPL. Additionally, borrowers were invariably required to accept terms and conditions before loan approval in the Z2P mobile app. The company failed to produce any documentary evidence or logs supporting its assertion that loan approvals were its responsibility rather than ZTPL's. Thus, it is evident that the company outsourced its credit risk function to ZTPL.
- c) The submission made by the company that it was not aware of the relationship between Z2P and PIPL reflects that the company has failed to ensure due diligence before execution of the agreement with the service provider

By transferring the above key decision-making function to ZTPL, the company has violated para 2 of Annex XIX of the Master Direction. Thus, the contravention committed by the company stands proven.

5.2.1 Contravention observed by the Bank:

The company failed to furnish a due diligence report on ZTPL covering aspects such as experience, competence, compliance, security and internal controls, data storage





facilities, reporting and monitoring environment, etc. Thus, the company violated para 5.4 of Annex XIX of the Master Direction.

5.2.2 Reply of the company regarding the alleged violation:

The company stated that it conducted due diligence at its own level before entering into the agreement with ZTPL. Considering the evolving landscape of digital lending and the profile of ZTPL's directors, the company entered into the agreement with optimistic expectations.

5.2.3 Conclusion of the Bank:

The company could not submit any documentary evidence of having undertaken due diligence. Hence, the contraventions stand proven.

5.3.1 Contravention observed by the Bank:

The agreement with ZTPL did not have a clause requiring the company to be informed in the event of a data breach on ZTPL's end. Also, the agreement had no provision regarding controls for safeguarding data confidentiality and establishing the liability of ZTPL in the event of a security breach or leakage of confidential customer-related information. Thus, the company violated para 5.5 (v) of the Annex XIX of the Master Direction. Further, the company did not conduct periodic reviews of ZTPL's security practices and control processes to ensure confidentiality and security of customer data. Thus, the company violated para 5.6.4 of the Annex XIX of the Master Direction.

5.3.2 Reply of the company regarding the alleged violation:

The company submitted that the confidentiality clause was covered and liability on either party in case of breach is also stated in the agreement. With regard to the periodic reviews of ZTPL, the company admitted that the same was not included in the service agreement.

5.3.3 Conclusion of the Bank:

The agreement did not have provisions to ensure data confidentiality and service providers' liability in the event of a breach of security and leakage of confidential customer-related information, which was in contravention of para 5.5(v) of Annex XIX of the Master Direction. Hence, the submission made by the company has not been considered satisfactory.





5.4.1 Contravention observed by the Bank:

It was observed that ZTPL, through its Z2P mobile app, had obtained consent from borrowers to access their personal information, including phone contacts, text and email contacts, and social profiles, for credit analysis and potential recovery measures in the event of default of the loan. Additionally, as per the agreement, Z2P had the authority to communicate with the borrower's contacts via call, SMS, email, or physical means to ascertain their whereabouts if the borrower defaulted on the loan or became unreachable. Moreover, Z2P was empowered to; a) contact and message the customer despite their numbers being registered on "Do Not Disturb" (DND) list, and b) communicate with numbers in the borrower's contacts that are also registered on the DND list. Thus, the company violated para 5.7.3 of Annex XIX of the Master Direction.

5.4.2 Reply of the company regarding the alleged violation:

The company submitted that ZTPL requests permission for Location, SMS, Photos/Media/Files, and Contacts to authenticate the client's identity and to assess financials. After the borrower accepts these permissions, the lending process commences. The company also submitted that it oversees the recovery activities conducted by ZTPL.

5.4.3 Conclusion of the Bank:

The company has admitted that ZTPL sought access to Location, SMS Photos/Media/Files & contact permissions which amounted to violation of privacy of customers. Further, the company did not provide any specific response on the ZTPL's right to reach out to the borrower's contacts via call, SMS, email, or physical means to ascertain their whereabouts if the borrower defaulted on the loan or became unreachable. Hence the contravention stands established.

5.5.1 Contravention observed by the Bank:

The outsourcing agreement between the company and ZTPL did not have any provision permitting the company and the Bank to inspect the books or premises of the outsourcing partner. Thus, the company violated para 5.5 (viii) & (x) of the Annex XIX of the Master Direction.





5.5.2 Reply of the company regarding the alleged violation:

The company stated that it conducted periodic inspections of the books of accounts and other documents pertaining to lending activities through ZTPL's digital platform. However, the specific clause regarding these inspections was inadvertently left out of the agreement.

5.5.3 Conclusion of the Bank:

The company has admitted that the specific clause was missed in the agreement and hence the contravention stands established.

5.6.1 Contravention observed by the Bank:

The company was not able to provide loan agreements, sanction letters, and statements of account for borrowers on its own. In an email dated March 10, 2022, the company requested an extension until June 30, 2022 (more than three months) to furnish the data, citing the cessation of operations by one of their partners, ZTPL. This suggests lack of data backup by the company and lack of control over the Loan Management System. Thus, the company has violated para 4.4 and para 5.5(ii) of Annex XIX of the Master Direction.

5.6.2 Reply of the company regarding the alleged violation:

The company submitted that it required some time to gather all the necessary information and submit it along with the appropriate response to the Bank.

5.6.3 Conclusion of the Bank:

The company did not provide any specific response to the observation. It also proved that the company had no data backup and control over the Loan Management System. Hence the contravention stands established.

5.7.1 Contravention observed by the Bank:

The company neither put in place an appropriate grievance redressal mechanism nor conducted periodic reviews of compliance of the FPC. Thus, the company violated paras 32 and 33 of the Master Direction.

5.7.2 Reply of the company regarding the alleged violation:

The company submitted that it had a board-approved FPC and the same was being followed by ZTPL. Additionally, the company mentioned that it had a separate internal compliance department trained and specialized in resolving customer complaints as per its grievance redressal policy.





5.7.3 Conclusion of the Bank:

The company's response did not address the matter of conducting periodic reviews to ensure compliance with the FPC. Therefore, the contravention remains established.

6. Violations of the guidelines provided under the Master Direction – Know Your Customer (KYC) Directions, 2016 (hereinafter referred to as “the KYC Master Direction”)

6.1.1 Contravention observed by the Bank:

The company could not provide periodic records of internal assessment in terms of Rule 9 (13) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 on risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, products, services, delivery channels etc. This was in non-compliance with the requirement of para 5A of the KYC Master Direction.

6.1.2 Reply of the company regarding the alleged violation:

The company submitted that the board-approved KYC and AML policy were in place and it had complied with the same. However, for small ticket-size loans, ZTPL verified the customer's KYC based on the in-principle approvals provided by the company and shared it in the Management Information System.

6.1.3 Conclusion of the Bank:

The company submitted that KYC verification was undertaken by ZTPL. Further, the company did not provide any response with regard to periodic records of internal assessment in terms of PML Rules. Therefore, the contravention remains established.

6.2.1 Contravention observed by the Bank:

The company did not have any risk-based approach for categorization of customers as low, medium, and high risk based on the risk perception. Further, there was no mechanism to identify politically exposed persons or those appearing in the sanctions list circulated by the Bank. These acts violated the directions contained in para 10(i), 12 and para 41 read with para 3(b)(xii) of the KYC Master Direction.





6.2.2 Reply of the company regarding the alleged violation:

The company submitted that since all the loans were small ticket loans, the customer was categorized as low risk as defined under the KYC and AML policy of the company. Further, it has also stated that since this lending operation was closed within nine months only (actual lending only for six months), it did not carry out the re-KYC as defined under the KYC Master Direction.

6.2.3 Conclusion of the Bank:

The company has admitted the Bank's observation. Hence the contravention stands proven.

6.3.1 Contravention observed by the Bank:

The company had not uploaded the details of accounts opened on the CKYCR portal. Thus, the company was violating para 56(b) of the KYC Master Direction. Further, the company was not providing "Unique Customer Identification Code (UCIC)" to any of the customers, thereby violating para 61 of the KYC Master Direction.

6.3.2 Reply of the company regarding the alleged violation:

The company submitted that it was not accessing the C-KYC portal for KYC verification, instead, KYC validation was conducted via ZTPL's web-based portal. The company also mentioned that it had initiated the application process to access the C-KYC portal, and its application is currently pending with CERSAI.

6.3.3 Conclusion of the Bank:

The company has admitted the violation.

7. Under these circumstances, it is established that the company has violated various directions issued by the Bank in exercise of the powers conferred under Chapter III-B of the RBI Act, as elaborated in paras 4 to 6 of this order. Further, the company has failed to give any satisfactory explanation for these violations and irregularities. This also raises doubt on the corporate governance practices followed by the company and hence the Bank has concluded that the general character of the management of the company is prejudicial to public interest.

8. In terms of sub-section (6)(iv)(a) of Section 45-IA of the RBI Act, the Bank may cancel the CoR granted to an NBFC, if the company fails to comply with any direction issued by the Bank under the provisions of Chapter III-B of the RBI Act. Considering





the nature and extent of contraventions committed by the company while carrying on its business, the Bank is satisfied that no public interest would be served in allowing the company to continue undertaking the business of an NBF. Hence, it would be in order to cancel the CoR issued to the company.

9. Accordingly, the Bank, in exercise of the powers conferred by Section 45-IA (6) (iv) of the Reserve Bank of India Act, 1934, hereby cancels the CoR bearing **No. 13.00039** dated **February 20, 1998**, issued to **M/s Polytex India Ltd.** The company is directed to return the CoR in original, at the Bank's office in Mumbai against acknowledgement of this order. The company is also advised to stop carrying out financial business with immediate effect. The company will, however, continue to be governed by the relevant provisions of the RBI Act, and guidelines regulations/ directions issued thereunder as applicable to the business of NBF till the repayment of all the outstanding claims, if any, which the company carried out as an NBFC. This order will also not prevent the company from recovering loans from the borrowers and repaying its outstanding liabilities, under the applicable laws.

10. A copy of this order may be communicated to the company/ directors.

Place: Mumbai

Date: June 12, 2024

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(Jayant Kumar Dash)
Executive Director

