

### Due Diligence Advisable to be done before investing into Stressed Assets

1. Relevant legal knowledge of Sarfaesi, DRT, NCLT or any other applicable law
2. Though property is sold on as is where is basis- Personally meet concerned official/authorized officer handling the case and try to gather information from him regarding challenges in the specific assets you are planning to buy
3. Inspection of the property- Check the following
  - a) Make the neighbor check & market reference check regarding any negative news about the property
  - b) See any notices pasted on the property
  - c) Assess the cost of the repairs involved
  - d) Check whether construction is within permissible area
  - e) Market Rate going on in the locality
  - f) Alternative options available in the area
  - g) If you wish to let out, ongoing rent in the area
  - h) Future prospects of the Area and specific property
4. Title of the property- Go through complete photocopy papers of the property along with list of original documents. See any important document should not be missing. If any document is missing then it should be factored in the buying price.
5. If you wish to avail finance, please be careful as it is very difficult to get finance on these assets even from the same lender which is selling the assets. So, please work in advance for the arrangement of funds as there is strict timelines for payment as there are chance of forfeiture of the payment already made.
6. Symbolic/Physical Possession- Law now allows selling the assets with symbolic possession only. We need to see whether we really want to enter into transaction with such risk and if yes how much time involved in getting the physical possession and whether the same has been factored in the price or not.
7. Multiple funding on the same property by different lenders- Sometimes borrowers make fraud by giving duplicate papers and take loan on same property from different banks. We have to be very careful as this is generally not mentioned in the auction notice.
8. You need to check current legal status of the NPA account- whether the borrower is still litigating in DRT or any other court and are there any chances of not getting the asset inspite of becoming successful bidder.
9. There should not be any tenant in the property- Neither at site nor on papers. Lot of borrowers is creating tenancy right to obstruct the sale process.
10. Third party agreements: It is a common practice by the borrowers to create third party rights on the property to obstruct the sale process. You need to understand the amount involved and people involved before undertaking such transactions.
11. It is advisable to meet borrowers before investing into any assets and take his consent for buying the property.

12. Attachment of the property should be checked in the concerned sub-registrar office
13. Whether the borrower account has been admitted in NCLT
14. There can be multiple dues on the property such as Water, Electricity, Different State Industrial Development Corporation, Sales Tax, Service Tax, Excise, Income Tax, EPF, Society Maintenance dues
15. Sanctioned Map & Completion certificate – You also need to check demolition list for the concerned property
16. The property or part of the property might not be under governments proposed acquisition plan
17. If it is industrial property, whether functional certificate/commencement certificate was obtained.
18. There are other multiple things which need to be checked before investing your hard earned money into stressed assets.

There are risks involved however if property due diligence is done, it has become lucrative business these days to invest into stressed assets.