JAI KRISHAN FINLEASE PVT LIMITED

NPA RECOGNITION POLICY

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Jai Krishan Finlease Pvt Ltd

Regd Office: Shop No 24, Ground Floor, DDA Shops, Neeti Bagh, New Delhi-110049, Delhi

Head Office: Info Tower, D-89, Nehru Colony, Dehradun – 248001, Uttarakhand

Phone: 0135-4503180 / 0135-4156794

Email: admin@jkfinlease.com

Web: www.jkfinlease.com

NPA Recognition Policy

Jai Krishan Finlease Pvt. Ltd.

1. Objective

The primary objective of this policy is to establish a comprehensive and consistent framework for the recognition, classification, and reporting of Non-Performing Assets (NPAs) at Jai Krishan Finlease Pvt. Ltd. The company is committed to adhering to the prudential norms prescribed by the Reserve Bank of India (RBI) to ensure accuracy, transparency, and timeliness in the identification of stressed assets. This policy seeks to safeguard the financial health of the organization, maintain investor confidence, and enable management to take corrective action at the earliest possible stage.

2. Scope and Applicability

This policy applies to all lending activities undertaken by Jai Krishan Finlease Pvt. Ltd., including business loans, MSME loans, personal loans, vehicle loans, loans against property, and any other credit products introduced in the future. It covers all branches, field offices, and digital channels through which loans are disbursed, as well as all departments and employees involved in loan origination, monitoring, collections, and recovery. The policy is binding on all staff members and service providers associated with the lending operations of the company.

3. Regulatory Framework

The company follows the prudential norms on income recognition, asset classification, and provisioning issued by the RBI for Non-Banking Financial Companies (NBFCs). This includes adherence to the 90-day overdue norm for NPA recognition, classification of stressed accounts into sub-standard, doubtful, and loss categories, and ensuring adequate provisioning as per the applicable regulations. Jai Krishan Finlease Pvt. Ltd. remains committed to incorporating all subsequent amendments and circulars issued by the RBI to ensure that the policy remains current and fully compliant with the regulatory environment.

4. Definitions

An asset is considered a performing asset as long as the borrower meets their repayment obligations in full and on time as per the agreed repayment schedule. An account is classified as a Non-Performing Asset if interest or principal payments remain overdue for more than 90 days in the case of term loans. For overdraft and cash credit accounts, the account is treated as NPA if it remains "out of order" for a continuous period of more than 90 days. In the case of bills purchased or discounted, an account is classified as NPA if the bill remains overdue for more than 90 days. In lease transactions, an account is considered an NPA if the rental remains overdue for more than 90 days. The term "days past due" (DPD) refers to the number of days a payment is delayed beyond the scheduled due date.

5. Asset Classification Norms

All loan accounts are classified into four categories based on their performance. A "Standard Asset" is one that does not disclose any problems and does not carry more than normal risk attached to the business. A "Sub-Standard Asset" is one that has remained non-performing for a period not exceeding twelve months. A "Doubtful Asset" is a sub-standard asset that has remained in that category for more than twelve months. A "Loss Asset" is one that has been identified by the company, its auditors, or the RBI as uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

Category	**Criteria**
Standard Asset	Loan with no default or DPD ≤ 90 days.
Sub-Standard Asset	NPA for ≤ 12 months.
Doubtful Asset	Remains sub-standard for > 12 months.
Loss Asset	Identified by company or internal/external auditors as uncollectible, though not fully written off.

6. Identification and Monitoring of NPAs

Jai Krishan Finlease Pvt. Ltd. employs a robust loan management system (LMS) to track overdue accounts on a daily basis. The system generates daily reports that categorize accounts by their delinquency status, such as 1–30 DPD, 31–60 DPD, 61–90 DPD, and 91+ DPD. Early warning signals such as skipped EMIs, cheque bounces, or partial payments are closely monitored and flagged for immediate collection intervention. Once an account crosses the 90-day overdue threshold, the system automatically classifies it as an NPA, effective from the day after the account becomes overdue beyond the permissible limit.

7. Income Recognition

The company follows the principle of recognizing interest income on NPAs strictly on a cash basis rather than on an accrual basis. Once an account has been classified as NPA, interest accrued but not realized is reversed from the books of accounts. Any further interest income, fees, or charges from the account are recognized only upon actual receipt.

8. Provisioning Norms

Adequate provisioning is made for NPAs in accordance with RBI norms. A general provision is created on standard assets at the prescribed rate. For sub-standard assets, a minimum provision of ten percent of the outstanding amount is made. Doubtful assets attract a provision ranging from twenty to one hundred percent depending on the period for which the asset has remained doubtful and the secured or unsecured status of the exposure. Loss assets are fully provided for or written off.

Asset Class	**Provision Requirement**
Standard Assets	General provision of 0.25% - 0.40% (as per RBI).
Sub-Standard Assets	10% of outstanding.
Doubtful Assets – Up to 1 year	20% on secured portion + 100% on unsecured portion.
Doubtful Assets – 1-3 years	30%-50% (as per RBI guidelines) on secured portion + 100% on unsecured.
Doubtful Assets – More than 3 years	100% provision on entire outstanding.
Loss Assets	100% provision/write-off.

9. Write-off Policy

Accounts that are fully provided for, or those that are considered irrecoverable after exhausting all recovery efforts, may be written off with the approval of the Board of

Directors or a committee delegated with such authority. However, the write-off does not imply a waiver of the company's right to recover the dues, and recovery efforts will continue even after the account has been written off.

10. Reporting and Disclosures

The NPA position of the company is reviewed on a monthly/quarterly basis and presented to senior management for further action. A detailed report on asset classification, provisioning, and write-offs is placed before the Board of Directors every quarter. The company also ensures timely and accurate submission of NPA-related information to credit bureaus, statutory auditors, and regulators, as mandated by applicable laws.

- Monthly NPA statement to be submitted to management.
- Quarterly asset classification and provisioning report to be submitted to Board.
- Regulatory reporting of NPAs as per RBI/credit bureau requirements.

11. Governance and Oversight

The implementation of this policy is a joint responsibility of several functions within the organization. The Credit Operations team is responsible for accurate tagging of delinquent accounts. The Collections and Recovery team is tasked with intensifying recovery efforts for accounts in higher delinquency buckets. The Risk and Compliance team monitors adherence to regulatory norms and ensures that internal controls are functioning effectively. The Finance and Accounts department ensures proper accounting treatment of NPAs, including reversal of income and creation of provisions. The Board of Directors exercises overall supervision by reviewing the NPA position on a quarterly basis and approving write-offs and provisioning requirements.

Function	Role
Credit Operations	Ensure proper tagging of DPD and NPA.
Collections Team	Intensify recovery efforts post 30+ DPD.
Risk & Compliance	Monitor adherence to RBI norms and policy compliance.
Finance & Accounts	Ensure correct accounting of interest, provisioning, and reversals.
Board of Directors	Review NPA position quarterly, approve write-offs, and ensure adequate provisioning.

12. Review and Revision

This policy is reviewed at least once every financial year, or earlier if there are significant changes in RBI regulations, internal business processes, or market conditions. Any amendments are subject to the approval of the Board of Directors and are communicated to all stakeholders within the organization to ensure uniform implementation.