JAI KRISHAN FINLEASE PVT LIMITED

WRITE OFF POLICY

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Jai Krishan Finlease Pvt Ltd

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Write-Off Policy

Jai Krishan Finlease Pvt. Ltd.

Jai Krishan Finlease Pvt. Ltd. ("the Company"), as a regulated Non-Banking Financial Company (NBFC), is committed to maintaining financial discipline, prudence, and transparency in its lending operations. In the course of business, the Company may encounter loan exposures that become non-performing and ultimately irrecoverable despite adopting robust credit appraisal systems, diligent monitoring, and sustained recovery efforts. In order to present a true and fair view of its financial position, comply with the prudential norms of the Reserve Bank of India (RBI), and strengthen its balance sheet, the Company has formulated this comprehensive Write-Off Policy. This policy serves as a guiding framework for identifying, approving, and accounting for loans that are no longer realizable, thereby ensuring that the financial statements reflect the genuine asset quality and that capital is efficiently utilized to support future business growth.

Objective

The fundamental objective of this policy is to provide a structured and transparent process for writing off loan accounts that are classified as Non-Performing Assets (NPAs) in accordance with RBI's Income Recognition, Asset Classification, and Provisioning (IRACP) norms. The Company recognizes that write-offs are not merely accounting adjustments but are strategic decisions intended to clean up the balance sheet, release management focus from unproductive assets, and improve key financial ratios such as Net Owned Funds (NOF), Capital to Risk-Weighted Assets Ratio (CRAR), and debt-equity position. By systematically writing off irrecoverable accounts, the Company not only complies with regulatory requirements but also enhances its credibility with lenders, investors, and rating agencies.

Scope

This policy applies to all loan accounts, whether secured or unsecured, across all business verticals, branches, and operational units of the Company. It encompasses exposures that have been classified as NPAs and remain in the sub-standard, doubtful, or loss asset categories for prolonged periods despite comprehensive recovery efforts. The Company shall consider write-offs in circumstances such as complete exhaustion of all recovery avenues including follow-up with the borrower, enforcement of security, legal actions under SARFAESI or civil/criminal proceedings, settlements and compromise arrangements where partial recovery has been realized, and situations where the cost of pursuing further recovery is likely to exceed the realizable value of the asset. In cases of fraud, write-offs shall be undertaken only after all legal formalities, reporting to regulatory authorities, and provisioning as per RBI norms.

Regulatory Framework

The Reserve Bank of India (RBI) has laid down clear prudential norms on Income Recognition, Asset Classification, and Provisioning (IRACP) that apply to NBFCs, and these form the regulatory foundation for any write-off policy. Under these norms, all lending exposures must be classified into four categories – standard assets, sub-standard assets, doubtful assets, and loss assets – based on the record of recovery and the ageing of arrears. Of particular relevance to write-offs is the classification of a "loss asset." RBI defines a loss asset as one where the loss has been identified by the NBFC itself, its internal or external auditors, or by RBI's inspection, but the amount has not been fully written off in the books. Such assets are considered uncollectible and of such low realizable value that their continued recognition as a book asset is no longer justified, even though some negligible recovery may still be possible.

RBI guidelines stipulate that loss assets should ideally be written off immediately. If for any reason the NBFC chooses to retain them on its books, it must provide for one hundred percent (100%) of the outstanding amount through provisioning. This ensures that the NBFC's balance sheet is not overstated and that capital adequacy is accurately reflected. Further, for doubtful assets, the provisioning requirement increases progressively with the ageing of the account: NBFCs must provide at least 25% of the secured portion of the advance that has remained doubtful for up to one year, at least 40% for those doubtful for one to three years, and 100% for doubtful assets outstanding for more than three years. The unsecured portion of doubtful assets must always be fully provided for. These provisioning norms effectively prepare the NBFC to absorb the credit loss in its financial statements before the actual write-off decision is executed.

RBI also recognizes the concept of "technical write-off" or "prudential write-off," which allows NBFCs to write off NPAs at the head-office level for accounting and tax efficiency purposes, while still pursuing recovery efforts at the branch or legal level. In such cases, the legal claim is not waived, and the borrower remains liable to repay the dues. Technical write-offs enable a cleaner presentation of the balance sheet by removing irrecoverable exposures from gross advances, even as the NBFC continues to track and recover amounts due. Any recoveries from written-off accounts, whether technically or fully written off, must be recognized as income in the year in which recovery occurs, generally under “Other Income” in the Profit and Loss account.

The RBI’s Master Direction for NBFCs issued in October 2023 also introduces an additional safeguard for NBFCs following Ind-AS accounting standards. In cases where impairment allowances under Ind-AS 109 (Financial Instruments) are lower than the provisioning required under IRACP norms, the difference must be appropriated from post-tax profits to a separate Impairment Reserve. This reserve cannot be withdrawn without prior approval from the RBI and is not eligible for inclusion in regulatory capital. This requirement ensures that NBFCs do not under-state credit losses merely by following Expected Credit Loss (ECL) models and that the regulatory provisioning floor is respected.

Finally, RBI requires NBFCs to disclose, in their annual financial statements, details relating to NPAs, provisions made, write-offs effected, and recoveries from written-off accounts. This transparency requirement enhances investor and lender confidence and helps stakeholders assess the credit risk profile of the NBFC. Together, these regulatory provisions form the framework within which Jai Krishan Finlease Pvt. Ltd. must design and operate its write-off policy, ensuring that the Company’s approach to write-offs is consistent, well-documented, fully compliant, and subject to Board oversight.

RBI directions are duly completed. The policy also covers aged NPAs that have remained in the doubtful or loss category beyond the prescribed regulatory timelines, thereby impacting the quality of the balance sheet.

The approval process for write-offs follows a rigorous internal control mechanism. The concerned branch or recovery team initiates the proposal for write-off by preparing a detailed note capturing the borrower profile, sanction details, amount outstanding, collateral details, recovery actions taken, legal status, and justification for considering the account for write-off. This proposal is reviewed by the Credit or

Recovery Committee, which verifies compliance with RBI norms, adequacy of provisions, and completion of recovery efforts. The final approval is granted as per the delegation of authority defined in the policy, with the Managing Director or Chief Financial Officer empowered to approve write-offs up to ₹50,000 per account, the Credit/Recovery Committee is authorized to approve cases between ₹50,001 and ₹5,00,000, and any write-off exceeding ₹5,00,000 requires approval from the Board of Directors. This tiered approach ensures that higher value exposures receive appropriate scrutiny and Board oversight.

Accounting Treatment

From an accounting perspective, once the write-off is approved, the loan account is removed from the active books of accounts by adjusting against the provisions already created for that asset. In the event of any shortfall in provisioning, the balance amount will be charged to the Profit and Loss Account in the financial year in which the write-off is executed. Importantly, the Company continues to pursue recovery even after the account has been written off, and such accounts are tracked in an off-balance sheet “recovery ledger.” Any subsequent recovery from these accounts recognized as income under “Other Income” and contribute positively to the profitability of the Company.

The Company maintains a robust monitoring and reporting mechanism to ensure transparency. A quarterly report containing details of accounts written off, amounts involved, provisions utilized, and recoveries made from previously written-off accounts are submitted to the Board of Directors for their review and oversight. Additionally, the statutory auditors are provided with comprehensive information on all write-offs undertaken during the financial year to ensure correct disclosure in the audited financial statements and compliance with accounting standards or Ind-AS requirements.

Review of Policy

This policy is reviewed at least annually, or earlier if warranted by changes in RBI guidelines, business requirements, or internal risk assessment. Any modifications or amendments to the policy are subject to approval by the Board of Directors. The adoption of this policy reflects Jai Krishan Finlease Pvt. Ltd.’s commitment to prudent credit risk management, regulatory compliance, and sound corporate governance. By institutionalizing a clear, consistent, and disciplined approach to write-offs, the Company strengthens its financial position, optimizes capital allocation, and reinforces its reputation as a responsible, well-governed NBFC capable of achieving sustainable long-term growth.