



## Non- Performing Asset Policy

Version control		
Proposed by:	Version	Approving Authority
Operations Team	April 2026	Board of Directors

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A non-performing asset (NPA) is defined as a credit facility in respect of which the interest and/or installment of principal has remained 'past due' for a specified period. Every NBFC is required to have a policy in accordance with the RBI guidelines for managing the non-performing assets of the company. The Board of Directors of every NBFC granting loans shall frame a policy for the company and implement the same in terms of RBI circular no. DNBS. 157/CGM(CSM)-2002 dated April 22, 2002.

#### Vehicle Loans

If more than Three Instalments are Overdue from the customer, then all the loan accounts will be considered as non-performing (NPA) loans until total arrears of the customer has been paid and suitable provisions as envisaged by RBI from time-to-time is provided for by the company.

### **PRUDENTIAL NORMS ON INCOME RECOGNITION, ASSET CLASSIFICATION, AND PROVISIONING.**

Income from NPA is not recognized on accrual basis but is treated as income only when it is received.

#### **CLASSIFICATION OF ASSETS AND PROVISION REQUIREMENTS**

As an NBFC, after considering the degree of well-defined creditworthiness and extent of dependence on collateral security for realization, we are required to classify loans and any other forms of credit into the following classes:

**Standard asset** where no default in repayment of principal or interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

*Provision requirements – not less than 0.4% as general provision. This provision should not be reckoned for arriving at net NPAs.*

**Substandard asset** is the one that has remained NPA for a period not exceeding 12 months. In such cases, the current net worth of the borrower or the current market value of the security is not enough to ensure recovery of the dues.

*Provision requirements — general provision of not less than 10%*

**Doubtful** assets are accounts that fall under substandard category and have remained as NPA for period exceeding 12 months.

Provision requirements - 100% of the extent to which the advance is not covered by realizable value of security.

with regards to secured portion:

Up to one year after treated as  
doubtful asset - 20% One to three  
years 30%

More than 3 years 50%

**Loss assets** are those where loss has been identified by us or Internal/external auditors or during RBI inspection, but the amount has not been written off wholly or partly.

Accounts with erosion in value of security/ frauds committed by borrowers should not go through various stages of asset classification.

*Provision requirements – 100% Provision if not written off*

If the realizable value of security is less than 50% of the outstanding, the asset should be classified as Doubtful and if it falls below 10%, It should be categorized as loss asset.

Advances against gold ornaments are not exempted from provisioning requirements.

## **MANAGEMENT**

Management of NPA begins with a better understanding of the underlying credit risk and initiating corrective measures starting from the branch levels. Relevant to the nature of our lending operations, reasons for an asset turning bad can be broadly identified as Follows:

1. Laxity in Identification of customers' background and adhering to KYC norms.
2. Lack of proper Credit appraisal and risk assessment
3. Improper / in adequate documentation
4. Incorrect assessment of security
5. In adequate post disbursement follows up.
6. Fraud

## **PRECAUTIONS BY VARIOUS FUNCTIONARIES**

### **Branch Staff**

'Know your customer' guidelines should be strictly adhered to before granting loans to anybody. If KYC requirements are not complied with in respect of existing borrowers, Managers should take necessary steps to ensure compliance with KYC norms immediately.

Special attention to be given to the following:

- (a) The address in the ID proof and that in our records as given at the time of granting of loan should be same. Discrepancies, if any, shall be adequately questioned and satisfactory explanation to the same shall be obtained.
- (b) Frequent contact with the borrowers, particularly in the case of high value loans of say 1 lakh and above through personal visits and face-to-face discussions with the borrowers may be undertaken for ensuring prompt repayment of loans.
- (c) The quality of the gold ornaments shall be checked/ tested, before accepting the same as security for the loan, by the employee responsible for the same. Weight of the extraneous items should be assessed properly and shall be reduced from the gross weight of the gold ornament. Net weight of the gold ornament shall be taken into consideration for arriving at the allowable limit of loan.
- (d) DPN shall be fully filled up and properly executed by the borrower.
- (e) The branch staff should be vigilant enough to be aware of developments in the area to identify and avoid undesirable customers with dubious past track records.
- (f) All the other laid down systems and procedures should be followed strictly.

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## **RECOVERY OF NON-PERFORMING ASSETS**

### **Vehicle Loans**

If the customer became the NPA and regularly paying the EMI, then treat the customer as critical and do the rigorous follow up with the customer to get in the standard by clearing the overdue amount.

If the Customer became the NPA and not paid the Two Consecutive EMI's then initiate the below mentioned procedure

### **Vehicle Repossession**

- Repossession of vehicle should take place if customer has not paid for "TWO" consecutive months.
- After sending the RPAD Receipt of KFL Notice to

- HO/FM/ZM/BM, branch can seize the vehicle.
- Authorization to Repossession the vehicle (seizing letter) to be signed only by the BM & copy must be given to the customer with his acknowledgement.
  - Police intimation through speed post after Repossession to the police station at which the vehicle has been Repossessed.
  - Immediately within 24 hours, notice 2 must be sent to the borrower after the repossession of the vehicle through RPAD and the scanned copy receipt of RPAD must be sent to HO.
  - On completing 1 week after repossession, notice 3 must be sent to the borrower through RPAD and the scanned copy receipt of RPAD must be sent to HO.

### **Sale of Repossessed Vehicles**

- RAPD notice should be sent immediately, and second notice should be sent after 1 week.
- Vehicle valuation should be done through the new App within 15 days.
- The sale process should be started on the 30<sup>th</sup> day of repo if customer has not taken back the vehicle.
- The company will put all the vehicle which have crossed 30 days for online auction twice a month and share the quotation received to all the concerned.
- The team should revert within 3 days with if quotations available with them.
- All the approvals will be tracked centrally, and payment should be collected within a week.
- Separate procedure would be in place for vehicle which are workshop for repairs.
- If any repairs are being taken up by us it should be completed within a week.

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### **Release of Repossessed Vehicles**

**Outright sale:** Total sale Amount Receipt, with bank Deposit Details is Mandatory. Release Order issued by HO on the letter head.

**Sale Finance Continuation:** Down payment receipt and HO File approval in S3g is mandatory, Release Order issued by HO on the letter head.

**Release by Customer:** Total Pending Outstanding Amount Receipt with OD and Arrears and current demand. Release Order issued by HO on the letter head.

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