

VEEFIN CAPITAL PRIVATE LIMITED

Asset Classification & Provisioning Policy

1. Preamble

The Board of Directors (the “Board”) of Veefin Capital Private Limited (the “Company”), has adopted the following policy regarding Asset classification and provisioning.

2. Purpose and Objectives

The Policy has been framed in terms of the **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** issued by Reserve Bank of India (“RBI”) effective from October 19, 2023 (“RBI Directions”) including any amendment, revision in the directions made thereunder and issuance of any guidelines, notification, circular by the RBI in this regard from time to time.

3. Definitions

- i. **“Company”** shall mean Veefin Capital Private Limited.
- ii. **“Non-Performing Asset” (NPA)** shall mean:
 - (i) an asset, in respect of which, the principal and/or interest has remained overdue for a period of more than 90 days.
 - (ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 90 days or on which interest amount remained overdue for a period of more than 90 days.
 - (iii) a demand or call loan, which remained overdue for a period of more than 90 days from the date of demand or call or on which interest amount remained overdue for a period of more than 180 days.
 - (iv) a bill/invoice which remains overdue for a period of more than 90 days.
 - (v) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 90 days.
 - (vi) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 90 days.
 - (vii) the lease rental and hire purchase instalment, which has become overdue for a period of more than 90 days.
 - (viii) In respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes a non-performing asset.
- iii. **“Overdue”** Any amount due to the Company under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the Company.

4. CLASSIFICATION OF ASSETS

The Company shall, after considering the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- (i) Standard assets.
- (ii) Sub-standard assets.
- (iii) Doubtful assets; and

(iv) Loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

1. "Standard assets" shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

2. "Sub-standard asset" shall mean

(i) an asset which has been classified as non-performing asset for a period not exceeding 18 months.

(ii) an asset, where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

3. "Doubtful asset" shall mean

(i) a term loan, or

(ii) a lease asset, or

(iii) a hire purchase asset, or

(iv) any other asset,

which remains a sub-standard asset for a period exceeding 18 months.

4. "Loss asset" shall mean

(i) an asset which has been identified as loss asset by the Company or its internal or external auditor or by the Reserve Bank during the inspection of the Company, to the extent it is not written off by the Company; and

(ii) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

5. Overdue

1. An amount is to be treated as Overdue if it is not paid on the due date fixed by the Company.

2. The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/ loan agreement till full repayment of the loan.

3. In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements. In case of existing loans, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/ review.

6. Timelines for Classifying Accounts as Overdue

- i) The borrower accounts shall be flagged as overdue by the company as part of their day-end processes for the due date, irrespective of the time of running such processes.
- ii) Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of the day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run.
- iii) In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

7. Special Mentioned Accounts

The Company shall recognize incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the categories specified below.

SMA categories	Sub-	Basis for classification- Principal or interest payment or any another amount wholly or partly overdue
SMA-0		Upto 30 days
SMA-1		More than 30 days and upto 60 days
SMA-2		More than 60 days and upto [REDACTED]

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- ii) Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of the day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run.
- iii) In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

9. Upgradation of Accounts

- i) Loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower.
- ii) In case of borrowers having more than one credit facility, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc. instructions provided in the RBI directions shall be followed.

10. Consumer Education on SMA/NPA

- i) With a view to increasing awareness among the borrowers, the Company shall place consumer education literature on its websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process.
- ii) The Company shall also consider displaying such consumer education literature in their branches by means of posters and/or other appropriate media.

- iii) Further, it shall also be ensured that the Company's front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction/disbursal/renewal of loans.

11. Provisioning Requirements:

The Company shall after take into account the time lag between an account becoming non performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:

Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for.	
Doubtful Assets	a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the Company has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;	
	(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:	
	Period for which the asset has been considered as doubtful	% of provision
	Up to one year	20
	One to three years	30
	More than three years	50
Sub-standard assets	A general provision of 10% of total outstanding shall be made.	

12. Standard asset provisioning

- i) The Company shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs.
- ii) The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.

13. Prudential Framework for Resolution of Stressed Assets

The Company shall follow the instructions issued vide circular 'The Prudential Framework for Resolution of Stressed Assets' dated June 07, 2019.