

**POLICY ON  
NON PERFORMING ASSETS  
NEUZEN FINANCE PRIVATE LIMITED  
(FORMERLY KNOWN AS UMANG TRADING PVT. LTD.)**

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## 1. INTRODUCTION:

In terms of RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, a loan asset of an NBFC should be classified as Non-Performing Assets (NPA) under the following circumstances.

The Provisioning Policy has been devised by Neuzen Finance Private Limited (NFPL) (formerly known as Umang Trading Pvt. Ltd.) with an aim to streamline the process for provisioning norms, the methodology and guidelines for classification and accounting of assets classification of assets and provision requirements, managing and recovering of Non - Performing Assets.

The guidelines inter-alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method.

## 2. PROVISIONING NORMS:

The Company shall, after taking 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 for Loans, advances and other credit facilities–

### Provisioning norms of NFPL for Loans are as follows:

Classification	Features	Time period for classification	Provisioning Requirements
<b>Standard</b>	No over dues and no defaults perceived	Current	0.40% of the outstanding portfolio
<b>Sub-standard</b>	Principal/Interest or both are overdue for less than 12 Months after it was classified as NPA.	Upto 15 months since first default	10% of the outstanding portfolio
<b>Doubtful</b>	An asset which has been classified as sub-standard for a period exceeding 12 months	Upto 12 months since first classified as Doubtful	20% of the outstanding portfolio
	An asset which has been classified as Doubtful for a period exceeding 12 months but less than 36 month	From 12 month and Upto 36 months since first classified as Doubtful	30% of the outstanding portfolio

	An asset which has been classified as Doubtful for a period exceeding 36 months	After 36 months since first classified as Doubtful	50% of the outstanding portfolio
	The advance is not covered by the realisable value of the security (Unsecured).		100% of the unsecured portion
<b>Loss</b>	Identified internally by Company or ANY auditor as Loss	Anytime as per circumstances	Entire amounts have to be written off. If asset is still on books for whatsoever reasons, then 100% Provision.

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

Income from NPA is not recognized on accrual basis but it is considered as income only when it is actually received. On NPA date, accrued interest not received will be reversed and will be accounted when it is actually received.

#### **Classification of assets and provision requirements:**

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

- a. **“Standard Asset”** 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;
- b. **“Sub-Standard Asset”** shall means an asset which has been classified as (a) non-performing asset for a period not exceeding 12 months; (b) an asset where the terms of the agreement regarding interest and/or principal have been re-negotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the re-negotiated or rescheduled or restructured terms for unsecured loans
- c. **“Doubtful Asset”** shall means (a) a term loan, or (b) a Lease asset, or (c) a hire purchase asset, or (d) any other asset, which remains a sub-standard asset for a period exceeding 12 months for unsecured loans.
- d. **“Loss Asset”** shall means (a) an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Bank during the inspection of the applicable NBFC, to the extent it is not written off by the applicable NBFC; and (b) 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.

- e. **“Non-Performing Asset”** (referred to in these Directions mentioned above as “NPA”)
- i. shall means an asset, in respect of which, interest has remained overdue for a period of 90 days or more;
  - ii. a term loan inclusive of unpaid interest, when the instalment is overdue for a period of 90 days or more or on which interest amount remained overdue for a period of three months or more;
  - iii. a demand or call loan, which remained overdue for a period of 90 days or more from the date of demand or call or on which interest amount remained overdue for a period of 90 days or more, an applicable NBFC shall classify each such account on the basis of its record of recovery.

**4. PROVISIONING AND WRITE OFF:**

On the basis of guidelines of RBI as outlined above, provisioning requirements should be assessed depending on the financial status of an account. In the case of loss assets, proposals should be submitted to the Board of Directors for write off. Wherever the board considers that there could still be a possibility for recovery, 100% provisioning has to be done in such cases as and when received from collection team.

Asset categorization and provisioning requirements should be reviewed on a quarterly basis and to be submitted to the Board of Directors for approval. Write off proposals can be taken up on case to case basis.

**5. NPA RECOVERY:**

On any kind of Recovery from NPA cases the amount of recovery will be first allotted to Principal Overdue, then Interest Overdue and then towards Penalty of any kind. In case of One Time Settlement the same will be allocated as per the Settlement norms decided between parties.

**6. POLICY REVIEW:**

The Policy shall be amended or modified with the approval of the Board.

\*\*\*\*END\*\*\*\*