
MONEDO FINANCIAL SERVICES PVT. LTD.

Non-Performing Asset Policy

Contents

1. Introduction
2. Objective and Scope
3. Asset Classification & Provisioning Norms
4. Prudential norms on income recognition
5. Classification of assets and provision requirements
6. Compromise/Settlement
7. Norms In Respect of Writing Off of Balances in The Borrower Accounts
8. Monitoring of Non-Performing Assets
9. Management

1. Introduction

Monedo Financial Services Pvt. Ltd. 'Monedo' or 'the Company' is a Non-Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-NS-ND).

2. Objective and Scope

- Business team to reduce the Company's NPA level in absolute terms by preventing slippage of accounts and accelerating recoveries in the existing NPAs.
- To take a pro-active approach in finding solutions which could involve restructuring of loans if intent of borrower is positive. Compromise solutions would be encouraged in certain situations, though the endeavour would remain recovery of 100% principal and interest dues when possible.
- To update system of identification and reporting of accounts showing signs of slippage of 'NPA' category.
- To provide directions to contain slippage to NPA category.

3. Asset Classification & Provisioning Norms

At present, an asset is classified as Non-Performing Asset when it has remained overdue for a period of six months or more for loans;

Every NBFC shall, after considering the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, classify its loans and advances and any other forms of credit into the following classes, namely:

Standard assets;

Sub-standard assets;

Doubtful assets;

Loss assets.

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

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;

Sub-standard assets shall mean an asset which has been classified as non-performing asset for a period not exceeding 18 months

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:

Doubtful asset shall mean the asset which remains sub-standard assets for a period exceeding 18 months;

Loss assets shall mean the asset which has been identified as loss asset by the applicable NBFC or its internal or external auditor or by Reserve Bank of India (RBI) during the inspection of the applicable NBFC, to the extent not written off by the applicable NBFC

Non-Performing Asset (“NPA”) shall mean an asset, in respect of which, interest has remained overdue for a period of six months or more; a loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;

4. Prudential norms on income recognition

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

5. Classification of assets and provision requirements

Sr. No	Classification	Provisioning Norms as per RBI*
1	Standard assets	Provision for Standard assets 0.25 % of the outstanding
2	Sub-standard assets	Provision for Sub-standard assets 10 % of the outstanding
3a	Doubtful assets - Secured	
	Up to 1 year	20%
	1 to 3 years	30%
	More than 3 years	50%
3b	Doubtful assets - Unsecured	100%
4	Loss assets	100% provision for Loss assets

* As per management of the Company, higher provisioning may be taken.

6. Compromise/Settlement

The basic guidelines governing compromise settlements of NPAs are listed below.

- A compromise should be negotiated settlement, which would ensure recovery of the dues to the maximum extent possible at minimum expense and within shortest possible timeframe.
- While taking NPAs a proper distinction will have to be made between willful defaulters

and defaulters due to circumstances beyond their control.

- Due weightage to be given to present activities of the borrower / guarantor, their present means, and other relevant factors.
- While arriving at a negotiated settlement, the advantage available to the NBFC for prompt recycling of funds should be weighted in comparison to the likely recovery by following legal or other protracted course of action i.e., opportunity cost analysis to be made.
- A compromise/settlement to be made only if the account has been classified as doubtful / loss assets. However, if there are any genuine reasons compromise/settlement be made in case of a Non-Performing Assets account also.
- While compromising in any account only interest amount be sacrificed, and no relief be granted in principal amount. However, in deserving cases relief in principal amount also be considered.

7. Norms In Respect of Writing Off of Balances in The Borrower Accounts

The accounts, balances of which are to be written off must have been classified as NPA and tenor of the loan has exceeded by 6 months.

In respect of the accounts with outstanding, the proposals will be placed before the Board.

8. Monitoring of Non-Performing Assets

Following steps should be initiated once account has been identified as NPA:

- The borrower and the guarantor to be vigorously followed up for recovery/regularization of the account in centre meetings or otherwise.
- In case no desired response is received, recovery notice to be served on borrower followed by a legal notice through an advocate to the borrower and the guarantor from the date of identification of the account as NPA.
- In exceptional cases if there are genuine difficulties being faced by certain borrowers, their accounts may be rescheduled/restructured preferably prior to such loans becoming NPAs.
- The position of recovery in NPA accounts should be reviewed monthly and the position of recovery be placed before the Management.
- Recoveries affected in NPA assets be first be appropriated towards Interest.

9. Management

Management of NPA begins with a better understanding of the underlying credit risk and initiating corrective measures.

Relevant to the nature of our lending operations, reasons for an asset turning bad can be broadly identified as follows:

1. Lack of proper appraisal and risk assessment.
2. Improper / inadequate documentation.
3. Incorrect assessment of security.
4. Inadequate post disbursement follow up.
5. Fraud.