V.3/3-24(25.03.2024)

Yogakshemam Loans Ltd.,

Policy on Asset Classification and Income Recognition 2018

Revision History

History	Adopted by	Date
Originally Adopted	**By circulation to Board**	**09.08-2018**
1st Review	**Board Meeting**	**23.01.2021**
2nd Review	**Board meeting**	**25.03.2024**

Contents

RAJESH KUMAR K

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1. Introduction

As of now, the company is a Non-Systemically important Non-Banking Finance Company, within the meaning of the Master Direction - Non-Banking Financial Company–Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016. (Hereafter referred to as the Master Direction) As such it shall follow, the prudential norms prescribed by the Reserve Bank of India for such companies from time to time. This policy set outs the principles and approach of the company towards income recognition and asset classification, provisioning and its disclosures in the financial statements. This policy has been prepared in accordance with the provisions contained in Chapter IV of the Master direction updated on 9th March 2017.

2. Financial year

The company shall follow its financial year beginning with 1st April of a calendar year and ending with 31st March of the following calendar year and shall prepare its annual financial statements as at 31st March every year.

3. Capital adequacy and Leverage ratio

The company shall maintain a healthy leverage ratio (Total outside liabilities/Tangible net worth) so that the company will be able to maintain a reasonable return on capital and also to attract borrowed funds at reasonable terms. In terms of Para 6 of the Master Direction, the leverage ratio of the company shall not exceed 7 at any point of time.

The company shall also maintain a healthy level of equity-*vis-à-vis* its loan books. It shall maintain a minimum capital adequacy 12 % of Tier I capital so long as the company's gold loan exposure is 50 % or more of the total financial assets.

4. **Income recognition**

The company shall follow sound accounting policies and its income recognition will be based on recognised accounting principles and of the directions in this respect issued by RBI. The company is following the accrual system of accounting, however, Income including interest/ discount/ hire charges/ lease rentals or any other charges on Non-Performing Assets (NPA) shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised will be reversed, adequately provided for.

5. **Income from investments**

i. The company may make investments in securities/ mutual funds, listed / unlisted shares etc as provided in its investment policy or as approved by the board from time to time.

ii. Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis. However, the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the company's right to receive the dividend is established.

iii. Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

iv. Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

6. Accounting standards

Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India ("ICAI") will be followed by the company insofar as they are not inconsistent with the RBI Directions.

7. Accounting of investments

The company has an Investment policy as approved by the Board on 26thMarch 2016 exhaustively covering the aspects of investments to be undertaken by the company and its accounting in line with the RBI directives in this respect and it shall be followed for accounting of investments.

8 Asset classifications

A) The company shall adopt the following asset classification for its loans and advances .

(i) Standard assets;

(ii) Sub-standard assets;

(iii) Doubtful assets; and

(iv) Loss assets.

(B) 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 up gradation.

(i) 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;

(ii) "Sub-standard asset" shall mean:

> (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;
>
> (b) 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 :

(iii) "Doubtful asset" shall mean:

> a. a term loan, or
>
> b. any other loans, or
>
> d. any other asset,
>
> Which remains a sub-standard asset for a period exceeding 18 months;

(iv) loss asset shall mean:

> (a) An asset which has been identified as loss asset by the company or its internal or statutory auditors or by the RBI during their inspection of the company, to the extent it is not written off ;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.

(v) Non-Performing Asset (“NPA”) shall mean:

(a) An asset, in respect of which, interest has remained overdue for a period of or more than 180 days

(b) A term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 180 days or on which interest amount remained overdue for a period of more than 180 days

(c) a demand or call loan(including gold loan), which remained overdue for a period of more than 180 days from the date of demand or call or on which interest amount remained overdue for a period of more than 180 days;

(d) a bill which remains overdue for a period of more than 180 days;

(e) 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 180 days;

(f) 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 180 days;

(g) 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 non-performing asset :

Note: The period of more than 180 days for NPA classification as mentioned above shall be adjusted as per glide path outlined under clause (vii) below.

[1]h) Asset Classification: The classification of borrower’s account as SMA as well as NPA shall be done as part of day-end process for the relevant date and SMA for NPA classification date shall be the calendar date for which the day-end process is run.

i)SMA/NPA classification of borrowers account are applicable to all loans including retail loans irrespective of size of exposure of the lending institution.

(vi) Up gradation of accounts classified as NPAs:

Loan accounts classified as NPAs may be upgraded as standard asset only if entire arrears of interest and principal are paid by the borrowers.

In case of loans where moratorium has been granted for repayment of interest, the company may recognise interest income on accrual basis for accounts which continues to be classified as standard. In case of loans with moratorium on payment of interest (permitted at the time of sanction of the loan)become NPA after the moratorium period is over, the capitalised interest corresponding to the interest accrued during such moratorium period need not be reversed.

[1] sub clause (h)(i) and clause (vi) inserted on ------

(vii) The extant NPA classification norm stands changed to the overdue period of more than 90 daysas per the glide path given below;

NPA Norms Timeline	NPA Norms Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
> 90 days	By March 31, 2026

The Company may recognise NPA at lower thresholds of overdue than provided in the glide path with suitable information to the borrowers. .

(viii) 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 Subcategories	Basis for classification- Principal or interest payment or any other 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 up to 150 days (Company may adopt a period less than 150 days as it may deem fit under due intimation to the borrowers)

(a)The above instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

(b)The borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of 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. 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.

(c)Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. 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 commence of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

Notwithstanding anything contained in this policy, the company shall follow the directions of RBI issued from time to time in respect of asset classification and income recognition if it is more conservative than that is provided in the policy. Further, the company is presently not systemically important and when it became systemically important, it shall follow the norms on income recognition and asset classification as applicable to a systemically important NBFC.

9. Provisioning requirements

In respect of loan assets 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:-

Loans, advances and other credit facilities including bills purchased and discounted-

A) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

<table>
<tr><td>i) Loss Assets</td><td colspan="2">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;</td></tr>
<tr><td rowspan="5">ii) Doubtful Assets</td><td colspan="2">(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:-</td></tr>
<tr><td>Period for which the asset has been considered as doubtful</td><td>Provision as a percentage</td></tr>
<tr><td>Up to one year</td><td>20</td></tr>
<tr><td>One to three years</td><td>30</td></tr>
<tr><td>More than three years</td><td>50</td></tr>
<tr><td>iii) Sub-standard assets</td><td colspan="2">A general provision of 10 percent of total outstanding shall be made.</td></tr>
<tr><td>[2]iv) Restructured Assets</td><td colspan="2">General Provisions as per the guidelines of Reserve Bank Of India from time to time and said provisions may be written back in accordance with the performance criteria satisfied by the accounts.</td></tr>
</table>

10. Standard asset provisioning

In respect of assets classified as standard assets, the company shall make provision at 0.25% of the outstanding, which shall not be reckoned for arriving at net NPAs. 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.

11. Disclosure in the balance sheet

(1) While preparing its annual financial statements, the company shall separately disclose in its balance sheet the provisions made as per this policy or under the Master Directions, as the case may be, without netting them from the income or against the value of assets.

(2) The provisions shall be distinctly indicated under separate heads of account as under:-

(i) Provisions for bad and doubtful debts; and

(ii) Provisions for depreciation in investments.

(3) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the company.

[2] Minor Changes in point iv (BM-23.01.2021)

(4) Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

12. Effective date

This policy, including any amendments shall become effective and enforceable from the date on which it is approved by the Board of Directors of the Company

13. Review of policy

The Board may review the policy as and when it deems fit. It shall be reviewed at least once in an year.

14. Severability.

If any portion of this policy is found to be inoperative on account of change in underlying directions issued by the RBI or of the accounting standards or declared to be inoperative by any regulatory authorities, the remaining portion which are not so inoperative will continue to be in force and binding on the company. Any action taken by the company or its officers under the policy before it became inoperative or un enforceable shall continue to be binding on the company.

15. Language used

The expressions used in in this policy in its singular form shall mean and include its plural form as well and *vice versa*. Similarly expressions used in its masculine character shall mean and include its equivalent feminine character as well and *vice versa*.

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