

Amrit Malwa Capital Limited

Brief Write up on NPA

The basic objectives of the policy are to lay down a system for management of NPAs and to develop the system into an effective tool to contain NPAs within prudential limits.

1 The policy outlines the strategies to meet the goals in tune with RBI directives, loan Policy and other instructions received from RBI Etc. on the subject.

2. The Policy lays stress on a system of early identification and reporting of all existing and potential; Special Mention Accounts (SMA) as a first step towards management of NPAs.

3. Preventive & timely corrective actions are of prime importance in management of NPAs. Therefore, the policy proposes to have special thrust on loan review mechanism, which will be on the lookout for early warning signals to ensure effective and expeditious corrective measures. Time norms are stipulated for identification and analysis of "Special Mention Accounts" to be followed by prompt corrective actions.

4. The policy lay down a broad approach for recovery of NPAs through various methods & finally through compromise settlement.

DEFINITIONS

Non Performing Assets

An asset, including a leased asset, becomes non performing when it ceases to generate income for the bank.

A non performing asset (NPA) is a loan or an advance where;

i. interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,

iv. the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

v. the installment of principal or interest thereon remains overdue for one crop season for long duration crops,

vi. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

INCOME RECOGNITION

Income Recognition Policy

The policy of income recognition has to be objective and based on the record of recovery. Internationally income from non-performing assets (NPA) is not recognised on accrual basis but is booked as income only when it is actually received. Therefore, the bank should not charge and take to income account interest on any NPA. This will apply to Government guaranteed accounts also.

Appropriation of recovery in NPAs

Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh/ additional credit facilities sanctioned to the borrower concerned.

Calculation of NPA in Two Categories

Gross NPA stands for the **Gross Non-Performing Assets**. Gross NPA is the term used by Company that refer to the sum of any unpaid

debt, which is classified as non-performing loans. Financial institutions are required to classify them as non-performing assets within ninety days because they do not receive the principal amount or net payments.

Net NPA stands for **Net Non-Performing Assets**. Net NPA is a term used by Company to indicate less allowance for poor and uncertain debts than the amount of non-performing loans. In order to cover unpaid debts, Company tend to offer a precautionary amount. Thus, if one deducts the provision for unpaid loans from unpaid obligations, the resulting sum relates to the net non-performing assets.

Provisioning policy

Provisioning requirements as per RBI guidelines effective from 31.03.2018 & followed by the company:

FROM MONTHS	UPTO MONTH	RATE	CLASSIFICATION
0	3	0.40%	STANDARD
4	15	10%	SUBSTANDARD
16	27	20%	DOUBTFUL
28	51	30%	DOUBTFUL
52	ONWARDS	50%	DOUBTFUL

NOTES:

- 100% portion of the unrealized Interest in respect of all Substandard, Doubtful & Loss Assets.
- Provision for Substandard & Doubtful at the rates specified above.

Sd/-

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