

**ASSET CLASSIFICATION POLICY
KRA LEASING LIMITED**

Reserve Bank of India (RBI) advised non-banking financial company shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, 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.

(2) 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 “standard asset” means 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 nor carry more than normal risk attached to the business;

“sub-standard asset” means:

- (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:

‘Non-performing asset’ (referred to in these Directions as “NPA”) means:

- a) an asset, in respect of which, interest has remained overdue for a period of six months or more; (RAR Fin care will be following 90 days’ norms as applicable to bank’s)
- b) a term 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; (RAR Fin care will be following 90 days’ norms as applicable to bank’s)
- c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; (RAR Fin care will be following 90 days’ norms as applicable to bank’s)
- d) a bill which remains overdue for a period of 180 days or more; ; (RAR Fin care will be following 90 days norms as applicable to bank’s)

- 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 six months or more; (RAR Fin care will be following 90 days' norms as applicable to bank's)
- f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more; (RAR Fin care will be following 90 days' norms as applicable to bank's)
- g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more; (RAR Fin care will be following 90 days' norms as applicable to bank's)
- h) 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:

Provided that in the case of lease and hire purchase transactions, a nonbanking financial company may classify each such account on the basis of its record of recovery;