

LAKME INVESTMENT AND FINANCE LIMITED

LOAN POLICY

(As Amended & Approved by the Board of Directors vide
Resolution Dated 02.11.2023)

CIN: U65993TN1995PLC033288

Registered Office:

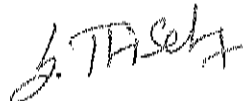
No.1, Anna Pillai Street,

Chennai - 600 001.

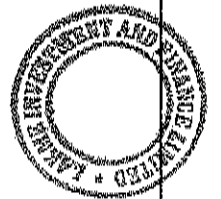
Tel No. +91 7338735001/ +91 7708111315

Email : lakmenbfc@gmail.com

For LAKME INVESTMENT AND FINANCE LIMITED



S.THAMARASELVAN
DIRECTOR
DIN: 07025451



INDEX

Chapter	Particulars	Page No
I	Preamble	3
II	Company Profile	4
III	Approach to Lending	5
IV	Types of Loan	6
V	Policy on KYC/ AML Standards	11
VI	Pricing of Credit Facilities, Interest Rates and Other Charges	12
VII	Sanction by the Board	13
VIII	Delegation of Sanctioning Authority	14
IX	Loan Application & Pre-sanction Credit Appraisal-For all types of loans	15
X	Sanction of Loan and acceptance of terms and conditions	17
XI	Documentation and Security creation	18
XII	Disbursement	19
XIII	Post disbursement monitoring	20
XIV	Review and Renewal of Loans	21
XV	Repayment of Loan and Settlement of loan	22
XVI	Recovery and legal proceedings	24
XVII	High Value and single borrower exposure	25
XVIII	Restrictions and Prohibition on funding	26
XIX	Assets Classification	28
XX	Provisioning Norms	32
XXI	Amendments	33



CHAPTER – I

PREAMBLE

The Reserve Bank of India (RBI) vide Master Circular RBI/2015-16/23 DNBR (PD) CC.No.044/03.10.119/2015-16 dated July 01, 2015 (Updated as on April 11, 2016) has advised Boards of NBFCs to frame an appropriate loan policy for the company and implement the same. Accordingly we had formulated a Loan Policy in August, 2017 which is now amended in line with the extant guidelines / regulations of RBI.

This policy document on Loans & Advances outlines the guiding principles in respect of formulation of various products offered by Lakme, the terms and conditions governing the conduct of account, the delegated power to the committee/officials and other terms & conditions applicable to such loans. It is expected that this document will impart greater transparency in dealing with individual customer and create awareness among customers. The Company will apply best industry practices so long as such practice does not conflict or violate RBI guidelines.



CHAPTER - II

COMPANY PROFILE

Lakme Investment and Finance Limited (“the Company” or “Lakme”) is registered under Section 45 IA of the Reserve Bank Of India (RBI) Act, 1934 to commence / carry on the business of Non-Banking Financial Institution without taking public deposits, vide Certificate of Registration dated 19th May,2003.

Lakme is categorized as a Non-Deposit Taking Non-Systematically Important Non-Banking Financial Company- Investment and Credit Company (NBFC-ND-NSI- ICC).

Under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by the Department of Regulations of RBI in October, 2023, Lakme falls in the NBFC-Base Layer (NBFC-BL).

Lakme being a registered NBFC with RBI has been primarily engaged into (a) Investing in securities of listed and unlisted companies and (b) Lending activities.

The Policy guidelines governing the lending activity of Lakme are brought out in the following chapters. The policy guidelines would be reviewed annually delineating the focus areas of the Company.

Lakme gives loans against shares / liquid securities, promoter funding, short/medium/long term corporate loans to SME and Mid-size corporates with or without security.

Lakme’s lending culture would be guided by the ‘Fair Practice Code’ as approved by the Board of Directors as also the approved Risk Policy and Know Your Customer (KYC) Policy.



CHAPTER - III

APPROACH TO LENDING

Subject to RBI guidelines applicable to NBFC-ND-NSI Loan Companies in the Base Layer, the Board of Directors shall give directions relating to lending activity, policy, exposure limits to various segments of clients, IRAC norms and delegation of powers.

Lakme would follow segmented approach to provide both market and customer focus for ensuring better business development, loan book growth, better capability building and best client satisfaction.

The main principles underlying the Lending Policy would be applicable to the exposures undertaken within the country or outside as the Board may decide from time to time.

Indicative Lending Architecture for Lakme will be as under:

- i. Targeted Clients
- ii. Pre-screened Clients
- iii. Pre-sanction due diligence
- iv. Assessment of credit requirement
- v. Financial Analysis
- vi. Standardized documents and security creation
- vii. Delegation of powers
- viii. Reporting
- ix. Post-sanction credit monitoring
- x. Portfolio review / Account review
- xi. Credit Rating
- xii. Transparency in sanction
- xiii. Standard proposal formats
- xiv. Valuation, ROC search
- xv. Recovery action in the event of default
- xvi. Compliance with RBI / SEBI / internal guidelines



CHAPTER – IV

TYPES OF LOAN

The Company may grant both secured and unsecured loans to individuals, Companies, firms, trusts and other entities as per the emerging business needs.

In case the loans are given without any primary/collateral security, like unsecured personal loans and other clean loans, more than ordinary care will be taken to see that such loans are granted only to persons/firms/Companies of repute with credit worthiness and track record

The product profile of Lakme will cover loans for short term upto 3 years and long term beyond 3 years. The lending products would be classified broadly in the following categories:

A. Capital Markets Products:

- Loan against Shares#/Mutual Fund Units/Bonds
- Promoter Funding against pledge of shares

1. Following guidelines of RBI in case of Loan against security of shares vide Para 36, Chapter-V of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by the Department of Regulations of RBI, are applicable to NBFC with asset size of Rs.100 Crore and above. However, Lakme will follow these guidelines (excepting the requirement as to the Reporting to Stock Exchanges mentioned in Point (iii) while lending against capital market instruments.

“36.NBFC with asset size of ₹100 crore and above while lending against the collateral of listed shares shall

(i) maintain a Loan to Value (LTV) ratio of 50 percent for loans granted against the collateral of shares. LTV ratio of 50 percent is required to be maintained at all times. Any shortfall in the maintenance of the 50 percent LTV occurring on account of movement in the share prices shall be made good within 7 working days.



(ii) in case where lending is being done for investment in capital markets, accept only Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003 issued by SEBI as amended from time to time) as collateral for loans of value more than ₹5 Lakh, subject to review by the Reserve Bank.

(iii) report on-line to stock exchanges on a quarterly basis, information on the shares pledged in their favour, by borrowers for availing loans in format as given in Annex X."

2. Loans against Lakme's own shares will be prohibited.

B. Corporate Finance Products:

- Corporate Loan/Project Finance/Business Loan/ICDs
- Loan Against Property
- MSME Loan
- Unsecured Loans
- Bridge Loan

Loan Against Property, Business Loans and Hypothecation Loans (HP Loans):

(i) There shall be well defined guideline governing the documentation required and relevant procedure to be complied with, while extending Loans against property, Business loans (including MSME Loans) and HP Loans(including two wheeler loans) Loans, Project Finance & Bridge Loan and the same should be within the scope of the relevant directions issued by RBI from time to time and other statutory directions in place.

(ii) Restricted Profiles/Properties: Company will abstain from lending to Individuals /Firms/ Companies etc, declared are wilful defaulters by RBI. Further Company will not lend against the security of properties in which constructions are prohibited by any law in force.



(iii) Credit Appraisal of Loan Against property, Business Loans, HP Loans and MFL

In case of Loan Against property, HP Loans (including two wheeler loans) and Business Loans Company should have procedures for appraisal of credit worthiness of the customers. Credit score of the customer from at least one Credit Information Company (CIC) should be considered for analyzing customer's credit worthiness. Minimum two persons should guarantee the proposed loan, of which at least one should be an External guarantor (person outside the family circle of the loan applicant). Repayment track in similar loans taken by applicant should also be taken into consideration.

(iv) Valuation of security

a) In the case of Loan Against Property, where immovable property is security, least of the following will be considered as value of the security:

- (1) Guideline value issued by the government
- (2) Fair value assessed at by a valuer (internal or outside valuer).
- (3) Fair value assessed by company official.

b) In case of HP Loans, where vehicles or other assets are provided as security, least of the following will be considered as value of the security:

- (1) Depreciated value
- (2) Fair value assessed at by a valuer (internal or outside valuer).
- (3) Fair value assessed by company official.

c) In case of Business loan where stock is the primary security, value of the stock as assessed by the company official will be considered as value of the security.

v) Loan Ceiling

Maximum loan amount for a single customer in case of business loans and Vehicle loans will be Rs 50 lakhs and in case of Loan against Property maximum loan amount will be Rs 1 crore.

vi) Loan to Value (LTV)

Maximum LTV will be capped at 60% for Loan against Property and Business loan. For Vehicle loan Maximum LTV will be 90%



vii) Maximum Tenure :

Maximum tenure in case of Business Loan will be 5 years and for Loan against Property and Vehicle Loan maximum tenure will be 7 years.

viii) Post sanction Monitoring and Re-Valuation of Security in Loan Against property, Business Loans and HP Loans :

a) Post sanction Monitoring

End use verification of loans above Rs 5 lakhs shall be done by a company official within 3 months of date of sanction of loan. If deviation is reported regarding end use of the loan, a report regarding the same will placed before the Board for necessary action.

b) Re-Valuation and Verification of Security

In case of Loan against Property re-valuation of the property provided as security shall be made at least once in every 3 years.

In case of Business Loans where the primary security is stock in trade, stock statement from the borrowers shall be collected at least once in every 3 months.

In case of HP loans verification and revaluation of assets hypothecated to the company should be made at least once in every year.

ix) Any subsequent amendments to the directions or tightening or relaxation of norms shall be approved by the Board of Directors.

Policy on Demand/Call Loans

1. The Board of Directors shall frame a policy for the company in respect of Demand / Call Loans and implement the same, as and when required.



2. Such policy shall, inter alia, stipulate the following –

(i) A cut-off date within which the repayment of demand or call loan shall be demanded or called up.

(ii) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction.

(iii) The rate of interest which shall be payable on such loans.

(iv) Interest on such loans, as stipulated shall be payable either at monthly or quarterly basis.

(v) The sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period.

(vi) A cut-off date, for review of performance of the loan, not exceeding six months commencing from the date of sanction.

(vii) Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.



CHAPTER – V

POLICY ON KYC / AML STANDARDS

'Know Your Customer' Standards

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand its customers and its financial dealings better which in turn help it to manage its risks prudently. Thus, the KYC policy has been framed by the Company for the following purposes:

- To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist activities;
- To enable the Company to know / understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently;
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines;
- To take necessary steps to ensure that the dealing staff is adequately trained in KYC/ AML Procedures.

All documents like identity proof, address proof, TAN No., PAN No., IT Returns, CIBIL Score, etc. are to be collected from borrowers, co-borrowers and guarantors along with the loan application. Latest Passport size photo of the individual borrowers, guarantors and of the Proprietor / Partner/ Director of the borrowing entities shall also be obtained. The KYC documents so obtained shall be scrutinized and their genuineness shall be confirmed by a team of officials of the company. In the case of loans sanctioned for duration of more than one year, fresh KYC documents shall be obtained wherever changes are notified or ascertained.



CHAPTER – VI

PRICING OF CREDIT FACILITIES

The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Accordingly the pricing on loans and advances would be decided taking into account the above factors on case to case basis and will be charged on reducing balance basis for the tenure of the loan.

The rate of such Loan shall be 9% to 24% p.a payable either on monthly/quarterly rest.

The Company may adopt discrete interest rate model whereby rate of interest for same product or tenor availed by the clients would not be standardized one but could be different for different customers depending upon various factors like profile of customer, tenor of loan, cost of borrowing funds, nature & value of collateral security, past track record, external rating etc.

OTHER CHARGES

In line with market practices, Lakme may also levy various other charges like upfront fees, penal charges, prepayment charges, commitment charges, loan documentation charges, cheque return charges, out of pocket expenses and review/renewal fees depending upon the nature of transactions on case to case basis.



CHAPTER - VII

SANCTION BY THE BOARD

All loan / credit proposals with exposure exceeding Rs. 1 Crore (Rupees One Crore) shall be sanctioned by the Board of Directors of the company, which at present is consisting of the following directors:

1. Sri. S. Thamaraiselvan, Director -(DIN: 07025451)
2. Smt. M. Gnanasoundari, Director- (DIN: 01772244)
3. Sri. S. Sivakumar, Director - (DIN: 07463264)
4. Sri. Padmanabhan Iyer, Director- (DIN: 05189532)



CHAPTER - VIII

DELEGATION OF SANCTIONING AUTHORITY

The Board of Directors has delegated all the powers of credit decision as below

(A) In respect of loan/ credit proposals involving exposure of above Rs.25 Lacs (Rupees Twenty Five Lakhs) upto Rs.1 Crore (Rupee one crore) to a Loan Sanction Committee, which will comprise of the following:

Name of the Director	Designation
1.Sri. S. Thamaraiselvan, Director (DIN: 07025451)	Chairman
2.Smt. M. Gnanasoundari, Director (DIN: 01772244)	Member
3.Sri. S. Sivakumar, Director (DIN: 07463264)	Member

(B) In respect of loan/ credit proposals involving exposure of above Rs.25 Lacs (Rupees Twenty Five Lakhs) to any of the two directors presently on the Board.



CHAPTER –IX
LOAN APPLICATION & PRE-SANCTION CREDIT
APPRAISAL- FOR ALL TYPES OF LOANS

A. Loan Application Form

- (i) Loan shall be disbursed only against application form as prescribed by the Company. The loan application form shall be complete in all respects. The loan application form will be in English and local language (Tamil), shall contain required details which need to be filled in and acknowledged by the borrower.
- (ii) Each loan application form should be supported by adequate KYC documents in conformity with Fair Practice Code and KYC and Anti-Money Laundering Policy of the Company/ RBI Guidelines.
- (iii) Company officials need to check and confirm that loan application form is filled with all details and borrower has signed the form.

B. Pre-sanction appraisal

- (i) Each duly completed loan application as supported by KYC documents should be appraised by separate team before sanctioning loan.
- (ii) Application details of the borrower should be re-verified and confirmed with the borrower personally or telephonically by officials of the company or any outside agency appointed for this purpose.
- (iii) Post completion of verification each customer should be categorised in high, medium and low risk.

The categorisation shall be done based on customers identity, social and financial status, nature of business activity etc, location of residence or business. In case of existing customers previous track record should be also considered along with



other factors; however previous track record alone should not be considered for changing category of risk.

- (iv) Appraisal should be recorded in the system and complete trail of the process shall be available for review with remarks from team regarding acceptance / rejection of application. In case loan is required for purchase of used vehicle or against security of gold or vehicle, physical verification of vehicle or gold along with its valuation needs to be done and recorded in the system.
- (v) Maximum amount of loan to be given shall depend on value of security and adequate LOAN TO VALUE RATIO needs to be maintained for all cases. In no case LOAN TO VALUE RATIO shall exceed 75% for gold loan, 85% for new vehicle and 70% of Insured Value as per latest insurance policy for used vehicles
- (vi) Borrower's confirmation should be obtained in writing agreeing the valuation of security.



CHAPTER -X
SANCTION OF LOAN AND ACCEPTANCE OF TERMS AND
CONDITIONS

- (i) Sanction of loan to borrower should be communicated in writing by way of sanction letter.
- (ii) Most important terms and conditions of loan such as amount of loan, rate of interest, processing and other fees if any and repayment schedule shall form part of sanction letter.
- (iii) Before making disbursement of loan, sanction letter should be shared and explained to borrower.
- (iv) All queries of the borrower need to address and resolve and confirmation to that effect shall be obtained bay way of taking signature on copy of sanction letter.
- (v) In case of change in terms or conditions it shall be communicated to the borrowers immediately.



CHAPTER –XI

DOCUMENTATION AND SECURITY CREATION

- (i) Essential documentation for assignment / pledge of security shall be done post acceptance of sanction terms and conditions by the borrower. The documentation and security creation for the loan will be done, preferably, through reputed Advocates/Legal Advisors.
- (ii) In case of vehicle loan documents with respect to hypothecation should be executed and necessary formalities with Government authorities should be carried out without any delay.
- (iii) If loan is sanctioned for purchase of new vehicle, original receipts for margin money paid by the borrower shall be kept on record.
- (iv) All assets provided as security must be secured with insurance and insurance policy shall be assign in the name of the Company.
- (v) The borrower shall create charge over the security provided to the company in respect of the loan sanctioned. Further the charge created in favour of the company shall be registered with the jurisdictional ROCA within the timelines as specified in the applicable provisions of the Companies Act, 2013 and the Rules made thereunder.



CHAPTER – XII

DISBURSEMENT

- i. Post completion of all formalities disbursement of loan should be made to borrower against respective loan agreement created in the system.
- ii. Disbursement of loan taken for purchase of new vehicle shall be made directly to the dealer only.
- iii. In case of other loan, it is advised to make disbursement in the account of the borrower. Disbursement may be made in cash provided it shall not exceed Rs.19900/-. Company shall ensure compliance with the requirements under sections 269SS and 269T of the Income Tax Act, 1961, as amended from time to time.



CHAPTER -XIII

POST DISBURSEMENT MONITORING

- i. Borrowers account shall be monitored continuously till final settlement of the same.
- ii. Important documents like KYC, promissory notes, accepted sanction letter and loan application form, ROC documents, insurance policy etc. needs to be physically verified at appropriate intervals and it shall be ensured that all documents are in force till final settlement of loan.
- iii. In appropriate cases like insurance policy expired, non-starter etc. physical verification of vehicle shall be conducted at adequate intervals. Insurance policies needs to be renewed before expiry and renewal charges shall be recovered from borrowers.
- iv. Cases of delayed collection and defaults shall be communicated to concerned recovery teams. Reasons for delays and defaults should be identified and suitable action shall be initiated for recovery before account turns in to non-performing category



CHAPTER – XIV

REVIEW AND RENEWAL OF LOANS

1. The loan facility would be due for renewal at the expiry of the loan tenure as specified at the time of loan sanction. The renewal of the loan facility would be at the sole discretion of the Company.
2. The renewal of the loan facility as aforesaid shall be on the same terms and conditions unless otherwise agreed by agreeing to new terms and conditions.
3. In case the loan is renewed, then it should be considered as a new loan, although the same may continue under same customer/loan account number and necessary renewal papers would be obtain.



CHAPTER – XV

REPAYMENT OF LOAN AND SETTLEMENT OF LOAN

A. Loan Repayment:

1. The loan amount shall become payable on the expiry of the loan term or as demanded by the lender before the expiry of the term loan.
2. The loan shall be repayable as per the terms or unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.
3. The loan can also be repaid by the customer at any time before the expiry of the loan.

Loan Repayment for demand loans:

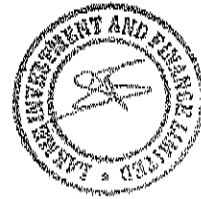
1. The demand loan shall become payable within 90 days (or such short period as decided by Board) from the date of call back by the lender.
2. The demand loan shall become payable on the expiry of one year from the date of sanction unless renewed before the expiry of one year.
3. The demand loan shall be repayable unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.

The loan can also be repaid by the customer at any time before the expiry of the loan.



B. Settlement of loans:

- i. All settlements shall be at contracted IRR only. Cases below contracted IRR needs approval from appropriate authority.
- ii. Any waiver or write-off at the time of settlement shall be allowed by appropriate authority on case to case basis. Reasons for waiver / write-off shall be recorded in writing.
- iii. On quarterly basis settlement cases below contracted IRR and waiver / write-off should be reported to the Board of Directors.



CHAPTER – XVI

RECOVERY AND LEGAL PROCEEDINGS

- (i) Collection from borrowers should be monitored on continuous basis and cases of non-payments should be communicate to recovery teams.
- (ii) Recovery team in no case shall use unfair means or put excessive pressure on borrowers for recovery.
- (iii) In case of non-receipt of instalments after due follow-up legal notice should be served on the borrower. Further action in such cases shall be based on legal advice only



CHAPTER – XVII

HIGH VALUE AND SINGLE BORROWER EXPOSURE

- (i) The Board shall from time to time decide High Value and Single Borrower or a single group of borrowers exposure considering RBI Guidelines.
- (ii) As a policy undue reliance on high value loans to accelerate growth should be discouraged considering the class of borrower and inherent risks. Emphasis must be given to low value customers and increase in broad base.
- (iii) Single customer borrower limits should be periodically reviewed and Board shall approve increase in limits.
- (iv) In no case single borrower exposure across all products exceeds 20% of paid-up capital and reserve surplus of the Company.



CHAPTER – XVIII

RESTRICTIONS AND PROHIBITIONS ON FUNDING

- (i) There are no specific restrictions on the funding of loans and advances with regard to the customer profile, area/address/type of the borrower or guarantor, etc. But general prudence is to be observed while appraising, sanctioning and credit delivery.
- (ii) Restrictions specified in the policy with respect to single party borrower and LOAN TO VALUE RATIO shall be adhered without any exception
- (iii) Loans to person of doubtful integrity (to the extent known from internal / external sources), persons engaged in illegal activities or conducting unlawful business shall not be granted irrespective of quality of security and certainty of collection.
- (iv) Loans and advances to Directors - Company shall not grant Rs 10 cr & above loans and advances unless sanctioned by the Board of Directors / Committee of Directors, to
 - a. their directors (including the Chairman/ Managing Director) or relatives of directors.
 - b. any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
 - c. any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

A director or his relatives shall be deemed to be interested in a company, being the subsidiary or holding company, if he is a major shareholder or is in control of the respective holding or subsidiary company.



The director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his interest to the Board when any such proposal is discussed. He should recuse himself from the meeting unless his presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

The proposals for credit facilities of an amount less than Rs 5 cr may be sanctioned by the appropriate authority in the NBFC under powers vested in such authority, but should be reported to the Board.

Loans granted to Directors will be subject to regulatory restriction under Companies Act 2013 and rules made thereunder.



CHAPTER – XIX

ASSETS CLASSIFICATION

The company shall after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, 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

“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 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

“Doubtful asset” shall mean: a term loan, or a lease asset, or a hire purchase asset, or any other asset, which remains a sub-standard asset for a period exceeding 18 months;

“Loss asset” shall mean:



- (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.

The extant NPA classification norm stands changed to the overdue period of more than 90 days for applicable NBFCs. A glide path is provided to applicable NBFCs to adhere to the 90 days NPA norm as under –

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

Note: The glide path will not be applicable to NBFCs which are already required to follow the 90-day NPA norm.

“Non-Performing Asset” shall mean:

- (a) an asset, in respect of which, interest has remained overdue for a period of 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, 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) the lease rental and hire purchase instalment, which has become overdue for a period of more than 180 days;
- (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.

OVERDUE:

An amount is to be treated as overdue if it is not paid on the due date fixed by the NBFCs. The exact due dates for repayment of a loan, frequency of repayment, break up between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/ loan agreement till full repayment of the loan. In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the



loan agreements. In case of existing loans, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/ review.

NBFCs 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 upto 180 days

Note: The period of SMA-2 shall be adjusted as per glide path outlined already.

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.



CHAPTER – XX

PROVISIONING NORMS

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.

The provisioning requirement in respect of loans, advances and other credit facilities shall as per RBI guidelines in this regard from time to time

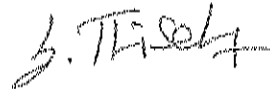


CHAPTER- XXI AMENDMENTS

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.

For LAKME INVESTMENT AND FINANCE LIMITED



S. THAMARASELVAN
DIRECTOR
DIN: 07025451



