ASSETS CLASSIFICATION POLICY

Date of last review: 12.02.2024

ASSETS CLASSIFICATION POLICY

Revenue Recognition:

Revenue is recognized to the extent that it is possible that the economic benefits will flow to the Company and revenue can be reliably measured. The Company has the policy to recognize the interest income on accrual basis. Income or any other charges on Non-performing Asset is recognized only when realized and any such income recognized before the assets becoming Non-performing and remaining unrealized is reversed. Interest income on deposits with Bank is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable. All other incomes are recognized on accrual basis.

Asset classification and provisioning:

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

The company will classify the assets into Standard, Substandard, Doubtful and Loss Assets.

1. Standard asset: No default risk perceived and not carrying more than normal risk attached to its business.

2. Substandard assets: Assets which has remained NPA for a period less than or equal to 12 months.

Currently GFIL being a Non systemically important, Non deposit accepting and with asset size less than Rs. 500 Cr, classify assets with overdues of more than 180 days as NPA. RBI has harmonized the NPA norms (for the NBFCs with asset size < Rs 500 Cr) as under:

GILADA FINANCE & INVESTMENTS LTD. GILADA GROUP BANGALORE

NPA norm

>150 days	By 31 March, 2024
>120 days	By 31 March, 2025
>90 days	By 31 March, 2026

3. Doubtful assets: An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.

4. Loss assets: It means: (a) an asset which has been identified as loss asset by the Company or its internal or external auditor or by the Reserve Bank of India during the inspection of the company, to the extent it is not written off by the company; 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 any fraudulent act or omission on the part of the borrower.

The Company shall make provision against standard, sub-standard, doubtful and loss assets as provided hereunder:

1. Standard assets: Provision will be made at 0.25% of the outstanding loan amount
2. Sub-standard assets: A general provision of 10% of the total outstanding shall be made
3. Doubtful assets: Provision will be made depending upon the period for which the asset has remained doubtful, provision shall be made as under:

20% - upto 1 yr;

30% - 1 to 3 yr;

50% - more than 3 yr;

100% for unsecured portion of the loan asset

4. Loss assets: The entire asset shall be written off. If for any reason, the assets are permitted to remain in the books, provision shall be made at 100% of the outstanding amount.

GILADA FINANCE & INVESTMENTS LTD. BANGALORE