

Concepts/ clarifications/ illustrative examples on due dates and specification of SMA/ NPA classification dates.

I. Dues:

Means all sums of (principal, interest, liquidated damages, default interest, fees, costs, charges, expenses, commissions, any change levied on the Loan amount or otherwise) and any other outstanding amounts which are or at any time may be or become due and which are payable within the period stipulated as per the terms of the Facility.

II. Overdue:

means all sums of (principal, interest, liquidated damages, default interest, fees, costs, charges, expenses, commissions, any change levied on the Loan amount or otherwise) and any other outstanding amounts which are payable, but have not been paid within the due date as per the terms of the Facility or period stipulated by the Lender. In other words, any outstanding amounts due to the Lender under any Facility(ies) is 'overdue' if it is not paid on the due date fixed by the Lender.

III. Relevance of the Principle of 'First In First Out' (FIFO) in appropriation of payments into the borrowal account:

The Principle of FIFO i.e., 'First In, First Out' accounting method is relevant to arrive at the number of days of overdue for determining the SMA / NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FIFO method thus requires that what is due first must be paid by the borrower first.

For example: if in any loan account as on 01.02.2023 there are no over dues and an amount of Rs. X is due for payment towards principal instalment/interest/charges, any payment being credited on or after 01.02.2023 in the loan account will be used to pay off the dues outstanding on 01. 02. 2023

Assuming that nothing is paid /or there is partial payment (Rs. Y) of dues during the month of February, the overdue as on 01.03.2023 will be Rs. X-Y

Additionally, an amount of Rs. Z becomes due as on 01.03.2023. Now any payment /partial payment into the account on or after 01.03.2023 will be first utilized to pay off the partial due of 01.02.2023 (Rs. X — Rs.Y) . If there is more recovery than the Rs. X—Rs. Y then after recovering dues of 01.02.2023, the remaining amount will be treated as recovery towards due of 01.03.2023.

Age of oldest Dues:

The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the aforesaid illustration, if the Dues relating to 1st February 2023 remain unpaid till 01.03.2023, the age of the oldest dues is reckoned as 29 days on 02 03.2023.

IV. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Lending institutions will recognize the incipient stress in loan accounts, immediately on Default, by classifying them as SMA. The basis of classification of SMA / NPA Category shall be as follows:

| Loans (other than revolving facilities) in the nature of Term Loans | | Loans in the nature of Revolving Facilities such as Cash Credit/Overdraft | |
|--|--|--|--|
| SMA Sub-categories | Basis for classification- Principal or interest payment or any other amount wholly or partly overdue | SMA Sub-categories | Basis for classification - Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of. |
| SMA-0 | Up to 30 days | | |
| SMA-1 | More than 30 days and upto 60 days | SMA-1 | More than 30 days and upto 60 days |
| SMA-2 | More than 60 days and upto 90 days | SMA-2 | More than 60 days and upto 90 days |

Non-performing Asset:

Non-Performing Asset (NPA) is a loan or an advance where.

- i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- ii. the account remains 'out of order' as indicated below, in respect of an Overdraft/Cash Credit (OD/CC);
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops; and/or
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

V. 'Out of Order' Status:

An account shall be treated as 'out of order' if:

- i. the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days,
- ii. or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

Illustrative movement of an account to SMA category to NPA category based on delay / nonpayment of dues and subsequent upgradation to Standard category at day end process:

| Due date of payment | Payment Date | Payment covers | Age of oldest dues in days | SMA / NPA Categorization on | SMA since Date /SMA class date | Categorization | NPA Date |
|---------------------|--------------|---|----------------------------|-----------------------------|--------------------------------|----------------|----------|
| 01 .01.2023 | 01 .01.2023 | Entire dues up to 01 .01 .2023 | 0 | NIL | NA | NA | NA |
| 01 .02.2023 | 01 .02.2023 | Partly paid dues of 01 .02.2023 | 1 | SMA-O | 01 .02.2023 | NA | NA |
| 01.02.2023 | 02.02.2023 | Partly paid dues of 01 .02.2023 | 2 | SMA-O | 01 .02.2023 | NA | NA |
| 01 .03.2023 | | Dues of 01.02.2023 not fully paid 01.03.2023 is also due at EOD 01 .03.2023 | 29 | SMA-O | 01 .02.2023 | NA | NA |
| | | Dues of 01.02.2023 fully paid , Due for 01.03.2023 not paid at EOD 01.03.2023 | 1 | SMA-O | 01 .03.2023 | NA | NA |
| | | No payment of full dues of 01.02.2023 and 01.03.2023 at EOD 03.03.2023 | 31 | SMA- 1 | 01 .02.2023/ 03.03.2023 | NA | NA |
| | | Dues of 01.02.2023 fully paid , Due for 01.03.2023 not fully paid at EOD 1.03.2023 | 1 | SMA-O | 01 .03.2023 | NA | NA |
| 01 .04.2023 | | No payment of dues of 01 .02.2023, 01 .03.2023 and amount due on 01.4.2023 at EOD 01 .04.2023 | 60 | SMA 1 | 01 .02.2023/ 03.03.2023 | NA | NA |
| | | No payment of dues of 01.02.2023 till 01.04.2023 at EOD 02.04.2023 | 61 | SMA 2 | 01 .02.2023 /02.04.202 3 | NA | NA |
| 01 .05.2023 | | No payment of dues of 01 .02.2023 till 01.05.2023 at EOD 01 .05.2023 | 90 | SMA 2 | 01 .02.2023 /02.04.202 3 | NA | NA |

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| | | No payment of dues of 01.02.2023 till 01.05.2023 at EOD 02.05.2023 | 91 | NPA | NA | NPA | 02.05.2023 |
| 01.06.2023 | 01.06.2023 | Fully Paid dues of 01.02.2023 at EOD 01.06.2023 | 93 | NPA | NA | NPA | 02.05.2023 |
| 01.07.2023 | 01.07.2023 | Paid entire dues of 01.03.2023 & 01.04.2023 at EOD 01.07.2023 | 62 | NPA | NA | NPA | 02.05.2023 |
| 01.08.2023 | 01.08.2023 | Paid entire dues of 01.05.2023 & 01.06.2023 at EOD 01.08.2023 | 32 | NPA | NA | NPA | 02.05.2023 |
| 01.09.2023 | 01.09.2023 | Paid entire dues of 01.07.2023 & 01.08.2023 at EOD 01.09.2023 | 1 | NPA | NA | NPA | 02.05.2023 |
| 01.10.2023 | 01.10.2023 | Paid entire dues of 01.09.2023 & 01.10.2023 | 0 | Standard Account with No Overdues | NA | NA | standard from 01.10.2023 |