

## Hiranandani Financial Services Private Limited

### **Customer Awareness - Regarding Classification of Loan Account as SMA and NPA**

As per RBI's notification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications dated November 12, 2021, as amended from time to time, norms of NPA has been revised, the following clarifications may kindly be noted:

#### **A. CLARIFICATION ON OVERDUE:**

An amount is to be treated as overdue if it is not paid on the due date fixed by the HFS (before the HFS runs the day-end process for that day). **Due Date** is the date as specified in the Repayment Schedule on which the instalment due is to be paid.

#### **B. CLASSIFICATION AS SPECIAL MENTION ACCOUNT AND NON - PERFORMING ASSET:**

As per RBI notification dated June 7, 2019 on Prudential Framework for Resolution of Stressed Assets, HFS will recognize incipient stress in Customer's account, immediately on default, by classifying as Special Mention Account.

The below Illustration covers the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset ("NPA"), upgradation of loan account etc:

Assumptions:

- The EMI due date was 4<sup>th</sup> of August
- Customer account remains overdue for more than 90 days
- Company is following 30 days logic

Classification	Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
	Number of Days Overdue	Overdue period for illustration	Number of Days Overdue	Overdue period for illustration
SMA-0	Up to 30 days	Till 4 <sup>th</sup> of September	-	-
SMA-1	31-60 Days	5 <sup>th</sup> September to 4 <sup>th</sup> of October	31-60 Days	5 <sup>th</sup> September to 4 <sup>th</sup> of October
SMA-2	61-90	5 <sup>th</sup> October to 4 <sup>th</sup> of November	61-90	5 <sup>th</sup> October to 4 <sup>th</sup> of November
NPA	More than 90 days	5 <sup>th</sup> of November	More than 90 days	5 <sup>th</sup> of November

If the interest or principal remains overdue for a period More than 90 days, the loan account is classified as a Non-Performing Asset (NPA).

As per RBI's guidelines, HFS will flag Customer's account as overdue at the day-end processes for the due date, irrespective of the time of running such processes. The classification of Customer's account as SMA or NPA shall also be done as part of the day-end process for the relevant date. In other words, the SMA or NPA classification date shall be the calendar date for which the day end process is run.

#### **C. UPGRADATION OF ACCOUNT CLASSIFIED AS NPA:**

- Customer classified as NPAs may be upgraded as 'standard' only if entire arrears of interest and principal are paid by the Customer.
- Partial payment, such as payment of only interest or only one installment, shall not result in the upgradation of the loan account.
- Once a loan account is classified as an NPA, it shall remain as such till the time the entire outstanding amount is repaid.