

Hiranandani Financial Services Private Limited

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

As per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions 2023 (RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24) dated October 19, 2023 and RBI circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications (RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22) dated November 12, 2021, as amended from time to time, 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 circular on Prudential Framework for Resolution of Stressed Assets (RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19) dated June 7, 2019 and Prudential Regulation mentioned in RBI's Scale Based Regulations, HFS will recognize incipient stress in Customer's loan account, immediately on default, by classifying such account 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 4th of August
- Customer account remains overdue for more than 90 days

Classification	Number of Days Overdue	Overdue period for Illustration
SMA-0	Up to 30 days	Till 3 rd of September
SMA-1	31-60 Days	4 th September to 3 rd of October
SMA-2	61-90	4 th October to 2 nd of November
NPA	More than 90 days	3 rd 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.