

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

Saraswati Commercial (India) Limited (“the Company”) in compliance with RBI’s Clarification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 12<sup>th</sup> November, 2021 (“RBI IRACP Norms Clarifications”) as amended from time to time and /or as required/ directed by RBI, shall classify and notify facility as overdue, SMA/NPA. Further upgradation of such accounts shall also be guided by the aforementioned clarification.

Below is the manner in which such classification and upgradation will be undertaken by the Company.

➤ **Date of Due:**

Means, the principal/interest/any charges levied on the account which are payable within the period stipulated as per the terms of agreement.

➤ **Date of overdue:**

Account will be flagged as an overdue account if as on running day-end processes (irrespective of time of running such process) no payment has been received.

**Example for date of overdue:**

If due date of a loan account is 31<sup>st</sup> March, 2022, and full dues are not received before the Company runs the day-end process for this date, the date of overdue shall be 31<sup>st</sup> March, 2022.

➤ **Special Mention Account (SMA) and Non-Performing Asset (NPA) classification:**

The Company will flag an account as SMA or NPA if the default subsists (as per timeline prescribed) at time of running its day-end process.

The classification parameters as provided in RBI IRACP Norm Clarifications are as follows:

Loans other than revolving facilities		Loans in the nature of revolving facilities like 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	Upto 30 days	SMA-0	-
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
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➤ **Out of order:**

Loans in the nature of revolving facilities are classified as NPA if it is 'out of order'.

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 , or
- ii. 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.

**Example: Loans other than revolving facilities**

**SMA-1 Classification:**

In continuation of above example, if the account remains overdue upon running 30<sup>th</sup> April, 2022 day-end process it will be classified as SMA-1.

**SMA -2 Classifications:**

Similarly, if the above account remains overdue upon running 30<sup>th</sup> May, 2022 day-end process it will be classified as SMA -2.

**NPA Classification:**

Aforementioned account if remains overdue upon running 29<sup>th</sup> June, 2022 day-end process it will be classified as NPA.

The above said classifications of SMA 0, SMA 1, SMA 2 and NPA shall be applicable to all loans including retail loans, irrespective of the size of the loan exposure.

**Example: Loans in the nature of revolving facilities**

For example, if there are no credits continuously for 90 days say from Jan 01, 2021 to March 31, 2021 (both days inclusive) or credits are not enough to cover the interest debits from Jan 01, 2021 to March 31, 2021 (both days inclusive), the account gets classified as NPA as of March 31, 2021 at day end day.

➤ **Upgradation of loan accounts classified as NPAs**

Loan accounts classified as NPA shall be upgraded as 'Standard' asset if the entire arrears of interest, principal and any other amount due are paid in full by the borrower and there is NIL arrears upon running day end process.

**"Standard"** only if the entire arrears of interest, principal and any other amount due are paid in full and there is NIL arrears upon running day end process on the respective SMA/NPA classification date which is that months instalment due date.