

## NON- PERFORMING ASSETS (NPA) CLASSIFICATION

### Definitions

**NPA (Non-performing Assets):** A Non-performing asset (NPA) is defined as a credit facility in respect of which the interest and/or instalment of principal has remained 'past due' / overdue for more than 90 days. Once an account is classified as NPAs then it shall be upgraded as 'standard' asset **only if entire arrears** of interest and principal are paid by the borrower.

**DPD (Days past due):** With respect to a particular loan, the no. of days till day for which any principal/ interest/ EMI or any of its instalment for that loan is overdue and not paid as at day end process.

**SMA (Special Mention Account):** Special Mention Accounts is an account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of his/ her debt obligations, though the account has not yet been classified as NPA as per the extant RBI guidelines. The Special Mention Account identification is an effort for early stress discovery of bad loans:

| SMA Sub-categories | Basis for classification – Principal or interest payment or any other amount wholly or partly overdue |
|--------------------|---|
| SMA-0              | Upto 30 days  |
| SMA-1              | More than 30 days and upto 60 days  |
| SMA-2              | More than 60 days and upto 90 days  |

**POS (Principle Outstanding):** The outstanding principal balance of a loan/ credit facility is simply the total amount of principal amount outstanding in the particular loan which doesn't not include the accrued interest, default interest, other charges etc.

**Overdue:** Any amount due to the lender under any credit facility is 'overdue' if it is not paid on the due date fixed by the lender. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL etc. and the CIBIL report of the customer will reflect defaults and its classification status.

### Ratnaafin Capital Private Limited

**Corporate Address:** 2<sup>nd</sup> & 3<sup>rd</sup> Floor, The Ridge, Opposite Novotel, Iscon Char Rasta, Ahmedabad, Gujarat-380060

**Registered Office:** 402, Bhikaji Cama Bhawan Ring Road, Bhikaji Cama Place, Near Hyatt Hotel, New Delhi-110066, Delhi, India

**E** info@ratnaafin.com | **T** 1800 309 8013 | **W** www.ratnaafin.com

**CIN** U65929DL2018PTC437822

### **Classification of accounts as SMA/ NPA:**

The borrower accounts get flagged as overdue by the lenders as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run.

### **Illustration:**

If due date of a loan account is March 31, 2022, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2022.

| Status                             | DPD     | Illustration 2 | Illustration 1 | Illustration 3 | Illustration 4 (Leap year) |
|------------------------------------|---------|----------------|----------------|----------------|----------------------------|
| Due date/<br>Overdue (if not paid) | 1 day   | 05-02-22       | 25-06-22       | 15-01-22       | 15-01-24                   |
| SMA-1                              | 31 days | 07-03-22       | 25-07-22       | 14-02-22       | 14-02-24                   |
| SMA-2                              | 61 days | 06-04-22       | 24-08-22       | 16-03-22       | 15-03-24                   |
| Non-Performing Asset               | 91 days | 06-05-22       | 23-09-22       | 15-04-22       | 14-04-24a                  |

### **Ratnaafin Capital Private Limited**

Corporate Address: 2<sup>nd</sup> & 3<sup>rd</sup> Floor, The Ridge, Opposite Novotel, Iscon Char Rasta, Ahmedabad, Gujarat-380060

Registered Office: 402, Bhikaji Cama Bhawan Ring Road, Bhikaji Cama Place, Near Hyatt Hotel, New Delhi-110066, Delhi, India

E info@ratnaafin.com | T 1800 309 8013 | W www.ratnaafin.com

CIN U65929DL2018PTC437822