

**CONSUMER EDUCATION LITERATURE ON SMA, NPA CLASSIFICATION AND
UPGRADATION**

As per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, the Company shall recognize incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the categories specified below-

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

The Borrowers account shall be flagged as overdue by the company as part of its 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. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Example:

If the due date of a loan account is October 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be October 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on November 30, 2021, i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be November 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day end process on December 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on January 29, 2022.

SPINNY CAPITAL PRIVATE LIMITED

CIN No. U65999HR2021PTC099583

Tel: +91-727-727-7275 Website: www.spinnycapital.com Email: contactus@spinnycapital.com

Regd. Office: 7th floor, Tower-A, Capital Business Park, Sector-48, Sohna Road, Gurgaon, Haryana -122018



For interest payments on term loans an account will be classified as NPA, if the interest applied at specified rests remains overdue for more than 90 days.

Further, it is clarified that loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower.

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