

Concepts/Clarifications/Illustrative examples on Due dates and specification of SMA/ NPA classification dates

Dues:

Mean, the principal/ interest/any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

Overdue:

Mean, the principal/interest/any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the credit facility. In other words, any amount due to VFS under any credit facility is 'overdue' if it is not paid on the due date fixed by the VFS.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):

Based on 'Prudential Framework for Resolution of Stressed Assets' issued by RBI, Lending institutions will recognize the incipient stress in loan accounts, immediately on Default, by classifying them as Special Mention Accounts (SMA). The basis of classification of SMA/NPA Category shall be as follows:

- (i) **Special Mention Account (SMA):** The Lender shall classify this facility and any other facility granted by the Lender to the Borrower as a "Special Mention Accounts" (SMA) immediately on default, ie. on the due date of payment of an instalment as per the Payment Schedule of the Agreement. The Lender may classify the facility as SMA in one of the following categories and shall report it as such in terms of the Clause on Disclosures and Consents above:
 - **SMA 0** - Principal or interest payment or any other amount wholly or partly overdue for up to 30 days (including 30th day)
 - **SMA 1** - Principal or interest payment or any other amount wholly or partly overdue for more than 30 days and up to 60 days (including 60th day)
 - **SMA 2** - Principal or interest payment or any other amount wholly or partly overdue for more than 60 days and up to 90 days (including 90th day)
- (ii) **Non-Performing Asset (NPA):** The Lender shall classify and report this facility and any other facility granted by the Lender to the Borrower as a Non-Performing Asset (NPA) when interest and/ or instalment of principal remains overdue for a period of more than 90 days for this facility of or any other facility granted by the Lender to the Borrower.

Example: If due date of a Loan Facility is March 31, 2021, and full dues are not received before the Lender runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 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 April 30, 2021.

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

- (iii) **Upgradation of accounts classified as NPAs:** Any asset that has been classified as an NPA can be reinstated as a standard Asset only after the Borrower makes repayment of all overdue interest and instalment to the Lender for this facility AND for any other facility granted by the Lender to the Borrower.

Please note that Volvo Financial Services (India) Pvt Limited shall be entitled to make any modifications to the above criteria of classification into SMA and NPA Accounts without requiring any additional consent from or notice to the Borrower if such modification is consequent upon any change in regulatory guidelines by RBI. Further, the aforesaid few examples are illustrative and not exhaustive in nature covering common scenarios, and that, the IRACP norms and clarifications provided by RBI on the subjects referred above will prevail.