

## **Asset Classification Norms**

The company classifies loans accounts as Non-Performing Assets (NPA) /Special Mention Accounts (SMA) as per norms given below:

### **Definition of Non-Performing Asset**

A non-performing asset (NPA) is a loan or an advance where;

- i. interest and / or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction
- iii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

### **Overdue**

Any amount due to the company under any credit facility is 'overdue' if it is not paid on the due date fixed by the company.

### **Special Mention Account (SMA)**

An account/ facility would be classified as Special Mention Account (SMA) category if the amount due and payable to company is not paid by borrower on due date. Basis aging of overdues, the company report the borrowers under following categories of SMA Loans other than revolving facilities:

<b>SMA Sub-categories</b>	<b>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue</b>
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 company flag the borrower accounts as overdue as part of day-end processes for the due date. the date of SMA / NPA will reflect the asset classification status of an account at the day-end of that calendar date.

### **Examples for SMA/NPA**

SMA-0: If due date of a loan account is March 31, 2022, and full dues are not received by KIDFL before day-end of March 31, 2022, the account will be considered as overdue with reference to due date and will be tagged as SMA 0.

SMA-1: If account continues to remain overdue and all dues are not regularized by April 30, 2022, then account gets tagged as SMA-1 as on April 30, 2022 i.e. upon completion of 30 days of being continuously overdue.

SMA-2: If the account continues to remain overdue, account gets tagged as SMA-2 as of May 30, 2022 and if continues to remain overdue further, accounts gets classified as NPA at day end on June 29, 2022.

**SMA/NPA classification at borrower level**

SMA/NPA reporting is borrower level as per regulatory guidelines and thus, overdue in any one account of borrower will result in reporting of borrower as SMA or NPA as the case may be.

**Upgradation of accounts classified as NPAs**

The company would be upgrading the loan accounts classified as NPAs as 'standard' asset only if entire arrears of interest and principal are paid. Upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc. will be governed by specific regulations.

The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.