

NORMS ON ASSET CLASSIFICATION
(Classification of loan accounts)

In view of the guidelines issued by Reserve Bank of India (RBI) on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' ("**Prudential Norms**"), Capital India Finance Limited ("**Lender**") has, in accordance with the provisions of the Prudential Norms, implemented a system of classification of the loans as a day end process. These classification norms are applicable to all loans, including retail loans, irrespective of amount sanctioned / granted by the Lender.

Request all the borrower(s) and security provider(s) to note the following aspects in relation to classification of loans.

1. Overdue amount under the loan account:

An amount payable by the borrower(s) under the loan shall be treated as 'overdue' if it is not paid on the relevant due date(s) fixed by the Lender.

Example: If any instalment / any amount in relation to the loan is due on March 10, 2022 and full payment in relation to such instalment / amounts due are not received by the Lender before running the day end process for March 10, 2022, then such instalment / amounts due shall be considered as 'overdue' on March 10, 2022.

2. Special Mentioned Account (SMA) and Non-Performing Asset (NPA):

As per the Prudential Norms, the Lender is required to recognize incipient stress in loan accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis for classification of SMA categories shall be as follows:

Sr. No	SMA Subcategories	Basis for classification – principal or interest payment or any other amount wholly or partly overdue
1.	SMA – 0	Up to 30 days
2.	SMA – 1	More than 30 days and up to 60 days
3.	SMA – 2	More than 60 days and up to 90 days

A loan account shall be classified as NPA, if any amount payable by borrower(s) in relation to the loan remains overdue for a continuous period of 90 days.

3. Illustration

For illustration purposes, please see below the following example **of classification of the loan account:**

Sr. No.	Classification of the loan account	Examples
1.	SMA - 0	If due date of any instalment is March 10, 2022, and full payment in relation to such installment is not received by the Lender before running the day-end process for March 10, 2022, the loan account shall be tagged as SMA – 0 by the Lender. The date of overdue shall be March 10, 2022.
2.	SMA - 1	If it continues to remain overdue, the loan account shall be tagged as SMA - 1 by the Lender upon running day-end process on April 09, 2022 i.e.,

Sr. No.	Classification of the loan account	Examples
		upon completion of 30 days of being continuously overdue. The date of SMA - 1 classification for that loan account shall be April 09, 2022.
3.	SMA - 2	If it continues to remain overdue, the loan account shall be tagged as SMA - 2 by the Lender upon running day-end process on May 09, 2022, i.e., upon completion of 60 days of being continuously overdue. The date of SMA - 2 classification for that loan account shall be May 09, 2022.
4.	NPA	If it continues to remain overdue further, the loan account shall be classified as NPA by the Lender upon running day-end process on June 08, 2022, i.e., upon completion of 90 days of being continuously overdue. The date of NPA classification for that loan account shall be June 08, 2022.

4. Upgradation of loan account which is classified as NPA:

A loan account which is classified as NPA by the Lender may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower(s). It is clarified that loan account, which is classified as NPA, shall not be upgraded as 'standard' merely upon payment of partial dues.