CapitalXB Finance Private Limited - Customer Awareness

Regarding Classification of Loan Account as SMA and NPA

RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' dated Nov. 12, 2021 and DOR.STR.REC85/21.04.048/2021-22, dated February 15, 2022.

A. Clarification on Overdue: An amount is to be treated as overdue if it is not paid on the due date fixed by the Lender (before the Lender runs the day-end process for that day). **Due Date is** the date as specified in the Repayment Schedule on which the instalment is due to be paid.

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

SMA – Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partially 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

It is further clarified that Borrower accounts (includes finance facilities availed from the Lender) shall be flagged as overdue by the Lender 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. In other words, the date of SMA or NPA shall reflect the asset classification status of an account at the day-end of that calendar date as per the RBI norms applicable for NBFCs.

Example: If due date of a loan account is March 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 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.

It is further clarified that the instructions on SMA or NPA classification of Borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure.

It is further agreed and understood by the Borrower that the loan accounts classified as NPAs may be upgraded as 'Standard Asset' only if the entire principal and interest due are fully paid by the Guarantor / Borrower. In case the Borrower has more than one facility, then the account shall be upgraded only after payment of all amounts due under all the facilities availed.