

Customer Awareness on Classification as Special Mention Account
(SMA) and Non-Performing Assets (NPA)

Nomura Capital (India) Private Limited

Introduction:

Nomura Capital (India) Private Limited (“the Company”) in compliance with RBI’s circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – clarification dated November 12, 2021 (“RBI IRACP Norms Clarifications”) as amended from time to time and /or as required/ directed by RBI, shall classify and notify facility as overdue, SMA/NPA.

Further upgradation of such accounts shall also be guided by the aforementioned clarification.

Concepts of Overdue,, Special Mention Account (SMA) and Non-Performing Asset (NPA) classification

Below is the manner in which such classification and upgradation will be undertaken by the Company.

▪ Date of overdue:

Account will be flagged as an overdue account if as on running day-end processes (irrespective of time of running such process) no payment has been received.

Example for date of overdue:

If due date of a loan account is March 31, 20**, and full dues are not received before the Company runs the day-end process for this date, the date of overdue shall be March 31, 20**.

▪ Special Mention Account (SMA) and Non-Performing Asset (NPA) classification:

The Company will flag an account as SMA or NPA if the default subsists (as per timeline prescribed) at time of running its day-end process.

The classification parameter as provided in RBI IRACP Norm Clarifications are as follows:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Upto 30 days	SMA-0	NA
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

Example:

SMA-0 Classification - Loans other than revolving facilities:

In continuation of above example, the account will be classified as SMA-0 on the date of overdue i.e. March 31, 20** and will continue to be classified as SMA-0 if the account remains overdue upto April 30, 20** but before running day-end

process on April 30, 20**.

SMA-1 Classification:

In continuation of above example, if the account remains overdue upon running April 30, 20** day-end process it will be classified as SMA-1.

SMA -2 Classification:

Similarly, if the above account remains overdue upon running May 30, 20** day-end process it will be Classified as SMA -2.

NPA Classification:

Aforementioned account if remains overdue upon running June 29, 20** day-end process it will be classified as NPA.

Further, in case of borrowers availing more than one credit facility, if one facility sanctioned to the borrower is classified as NPA, all other facilities sanctioned to the borrower would also be classified as NPA.

▪ Upgradation of accounts classified as NPAs

Once account is classified as NPA, it shall only be upgraded as standard asset upon payment of entire arrears of interest and principal by the borrower at the time of running the day-end activity of that particular date.

Existing instructions as specified for accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc shall continue to be applicable.

▪ Case study:

Sr.No.	Date	Particulars	Remarks
1	June 30, 20**	Non-payment at the time running day-end process.	Date of overdue
2	July 30, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-1
3	August 29, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-2
4	September 28, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as NPA

Account classified as NPA shall only be upgraded to standard once the all-previous dues including interest and payment are received by the Company. In case of borrowers having more than one credit facility from

the Company, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

The reporting to Credit Bureaus and Regulatory Authorities would be in accordance with above classifications.