

Customer Awareness

Svatantra Microfin Private Limited (“the Company” or “SMPL”) in compliance with RBI’s Clarification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances 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.

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

- **Date of overdue:**

Account will be tagged 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 April 30, 20**, and full dues are not received before the Company runs the day-end process for this date, the date of overdue shall be April 30, 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 | |
|---------------------------------------|---|
| SMA Sub- Categories | Basis for classification – Principal or interest payment or any other amount wholly or partly 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 |

Example:

SMA-1 Classification:

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

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SMA -2 Classification:

Similarly, if the above account remains overdue upon running June 29, 20** day-end process it will be classified as SMA -2.

NPA Classification:

Aforementioned account if remains overdue upon running July 29, 20** day-end process it will 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 shall continue to be applicable.

- Case study:**

| Sr. No. | Date | Particular | 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 asset if entire arrears of interest and principal are received from the borrower i.e., when Days Past Due ('DPD') becomes 0.