

FEDEX FINANCE PVT LTD.**Consumer education literature for concepts of special mention accounts (SMA) and non-performing assets (NPA) classification**

Reserve Bank of India (RBI) periodically issues guidelines to lending institutions on income recognition and asset classification.

It is important for customers to repay their loan dues on time to maintain a healthy credit score.

A. Irregular/overdue accounts

The loans/credit facilities granted by FFPL have defined repayment terms as mentioned in the loan agreement, communications or other related documents.

The loan account is considered as '**irregular/overdue**' by FFPL, if the principal amount of loan or interest thereon is not paid on the due date.

For instance, if due date for a loan account is March 31, and dues are not received on the same date, the date of irregularity (overdue) shall be March 31.

B. Special mention accounts (SMA) reporting

The irregular/overdue accounts are classified as SMA (reporting at borrower level) as follows:

	Loans other than revolving facilities	Loans in the nature of revolving facilities like cash credit/overdraft
SMA sub-categories	Principal or interest payment or any other amount wholly or partly overdue	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	Not applicable
SMA-1	More than 30 days and upto 60 days	
SMA-2	More than 60 days and upto 90 days	

Example: If the due date for a loan account is March 31, and the entire dues are not paid by the borrower, the account would be reported as:

SMA-0: During March 31 to April 29

SMA-1: During April 30 to May 29

SMA-2: During May 30 to June 28

The NBFC reports to RBI the asset classification including SMA status at month-end to Central Repository of Information on Large Credits (CRILC) for all borrowers with aggregate exposure of ₹ 5 Crores or above on a monthly basis.

The NBFC also submits a weekly report of instances of default by borrowers (with aggregate exposure of ₹ 5 Crores and above) at the end of business hours on every Friday, or the preceding working day, if Friday happens to be a holiday.

Further, the overdue position for the loan accounts is also reported to credit bureaus.

C. Classification of non-performing asset (NPA)

1) Based on ageing of irregularity/overdues

As per RBI guidelines, a non-performing asset (NPA) is a loan or an advance where:

- interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- the account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC),

An account is treated as 'out of order' if:

- the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or
- the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period. The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is being run.

2) Restructuring

Restructuring is an act in which lending institution grant a concession to the borrower under financial difficulty for economic or legal reasons. Restructuring may involve modification of terms of the advances/securities, which would generally include, among others, alteration of payment period/payable amount/the amount of instalments/rate of interest, roll over of credit facilities, sanction of additional credit facility/release of additional funds for an account in default to aid curing of default/enhancement of existing credit limits, compromise settlements where time for payment of settlement amount exceeds three months.

In case of restructuring, a loan account classified as 'standard' is immediately downgraded to NPA.

However, accounts restructured under specific scenarios like project under implementation, natural calamity are considered as 'standard' and not downgraded to NPA as per the RBI guidelines.

3) Other reasons for NPA classification

- Non-commencement of commercial operations within the scheduled date and the grace period permitted by RBI.
- Detection of fraud in the loan account.
- Non-review/renewal of working capital credit limits within 180 days from the due date of previous sanction.

If a loan account of a borrower is classified as NPA, all other accounts of the same borrower/co-borrower are also classified as NPA, irrespective of overdue status in other accounts.

Based on the ageing of the loan as NPA, the accounts are further classified as:

Class	Description
Sub-standard	An account that is non-performing for a period not exceeding 12 months
Doubtful	An account that has remained in the sub-standard category for more than 12 months
Loss	An account which is considered uncollectible and of such little value, that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value

D. Upgrade from NPA

The loan accounts which are classified as NPAs due to overdue/irregular criteria are upgraded to 'standard', if the borrower pays off the entire arrears of interest and/or principal for all loan facilities availed from the Bank and CC/OD accounts are not in 'out of order' status.

The loan accounts classified as NPAs after restructuring or other reasons are upgraded based on the subsequent performance of these accounts.

E. Example for SMA/NPA status

Loan facilities other than in the nature of CC/OD accounts:

1. All dues paid

Date	Charged (₹)	Recovery (₹)	DPD*	Status	Remarks
March 31	100	100	0	Regular	No overdue

*DPD: days-past-due

2. No dues paid

Date	Charged (₹)	Recovery (₹)	DPD	Status	Remarks
March 31	100	-	1	SMA-0	Overdue position
April 30	110	-	31	SMA-1	Overdue position
May 30	-	-	61	SMA-2	Overdue position
May 31	120	-	62	SMA-2	Overdue position
June 29	-	-	91	NPA	Asset classification

The above examples are illustrative covering common scenarios and not exhaustive and subject to change based on the RBI guidelines. The asset classification of the borrowers would be determined based on the prevailing RBI guidelines including Master Circular issued by RBI on income recognition, asset classification and provisioning pertaining to advances.