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CUSTOMER AWARENESS ON CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA) AND NON- PERFORMING ASSET (NPA)

Pursuant to 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP Norms) – Clarifications' dated November 12, 2021 further amended on February 15, 2022, and Prudential Framework for Resolution of Stressed Assets dated June 7, 2019, issued by Reserve Bank of India ('RBI'), NBFCs and other applicable entities shall:

1. Mention the following information in Sanction Letter/Loan Agreement, wherever applicable;
 - Exact due dates for repayment of a loan
 - Frequency of repayment
 - Examples of SMA/NPA classification dates
 - Exact date of commencement of repayment, in case of loan facilities with moratorium

The above inclusion will be made, in respect of fresh loans. In case of existing loans, however, the above inclusion will be made, when such loans become due for renewal/review.

2. Classification of Special Mention Account (SMA) and Non-Performing Asset (NPA)

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-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

3. Borrower accounts shall be flagged as overdue as part of 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/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

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.

4. In respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days.