

Goldman Sachs (India) Finance Private Limited

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CIN: U67120MH1991PTC063512

Customer awareness on classification as special mention account and non-performing assets

Lending Institutions in compliance with the Reserve Bank of India's circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – clarification dated 12 November 2021 bearing reference number RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 read with the additional clarifications issued by the Reserve Bank of India on 15 February 2022 bearing reference number RBI/2021-2022/158 DOR.STR.REC.85/21.04.048/2021-22, as amended from time to time and /or as required/ directed by the Reserve Bank of India, are required to classify and notify the facilities granted by it as overdue, special mention account (SMA) or non-performing asset (NPA), as the case may be.

What is an overdue account?

A lending institution will flag an account as overdue if it does not receive the amounts due on the due date fixed by it, as part of its day-end processes for such due date.

Example: If due date of a loan account is 31 March 2022, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be 31 March 2022.

What is a special mention account?

A lending institution will flag an account as special mention account, as part of its day-end process, if the amounts owed to the lending institutions remain overdue as per the timelines specified in the table below.

<i>Loans other than revolving facilities</i>		<i>Loans in the nature of revolving facilities like cash credit/overdraft¹</i>	
<i>SMA categories</i>	<i>Sub-categories</i>	<i>SMA Sub-categories</i>	<i>Basis for classification</i>
			<i>– Principal or interest payment or any other amount wholly or partly overdue:</i>
			<i>– Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:</i>
SMA-0	Up to 30 days	-	-
SMA-1	More than 30 days and up to 60 days	SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	SMA-2	More than 60 days and up to 90 days

Example(s) in respect of facilities other than revolving facilities:

In the aforesaid example, the account will be classified as SMA-0 on the date of overdue i.e 31 March 2022 and will continue to be classified as SMA-0, if the account continues to remain overdue up to 30 April 2022 but before the lending institutions runs the day end process on 30 April 2022.

¹ We do not offer cash credit or overdraft facilities

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If the account continues to remain overdue, upon running day-end process on 30 April 2022 i.e. upon completion of 30 days of being continuously overdue, then it shall get tagged as SMA-1. Accordingly, the date of SMA-1 classification for that account shall be 30 April 2022.

Similarly, if the account continues to remain overdue upon running day-end process on 30 May 2022 i.e. upon completion of 60 days of being continuously overdue, then it shall get tagged as SMA-2. Hence, the date of SMA-2 classification for that account shall be 30 May 2022.

What is a non-performing account?

If an account remains overdue for a continuous period exceeding 90 days then the lending institution will classify it as NPA.

Example(s) in respect of facilities other than revolving facilities:

In continuation of the above example, if the account continues to remain overdue, upon running day-end process on 29 June 2022 i.e. upon completion of 90 days of being continuously overdue, then it shall get tagged as NPA. Accordingly, the date of NPA classification for that account shall be 29 June 2022.

How will upgradation of accounts classified as SMA or NPAs will be carried out?

Loan accounts classified as NPAs or SMA may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. With regard to upgradation of accounts classified as NPA or SMA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

In case of borrowers having more than one credit facility from a lending institution, loan accounts shall be upgraded from NPA or SMA to 'standard' asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.