

Consumer Awareness Literature



Housing and Urban Development Corporation Ltd (HUDCO) 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 flagged as an **overdue account if as on running day-end processes**, entire dues are not received.

Example for date of overdue: If **due date** of a loan account is **28 February 2023**, and entire dues are not received before the Company runs the day-end process for this date, the **date of overdue** shall be **28 February 2023**.

Special Mention Account (SMA) classification:

The Company will flag an account as **SMA / 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 / 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 |

SMA-1 Classification:

In continuation of above example, if the account remains overdue upon running 30 March 2023 Day-end process it will be classified as **SMA-1**.

SMA -2 Classification:

Similarly, if the above account remains overdue upon running 29 April 2023 Day-end process it will be classified as SMA 2.

Non-Performing Asset (NPA) classification:

Afore mentioned account if remains overdue upon running 29 May 2023, day-end process it will be classified as NPA also known as Credit Impaired Asset since the company follows IND AS norms as per Companies Act, 2013.

Upgradation of accounts classified as NPAs

Once an account is classified as NPA, it shall **only be upgraded** as standard asset (SMA-0/ SMA-1/ SMA-2) 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.

Illustration:

| Sr.No. | Day end process | Particular | Remarks |
|--------|------------------|---|--|
| 1. | 28 February 2023 | Non-payment of entire dues at the time running day-end process. | Date of overdue |
| 2. | 30 March 2023 | Non-payment subsists at the time of running day-end process. | Account to be classified as SMA-1 on 31 March 2023 |
| 3. | 29 April 2023 | Non-payment subsists at the time of running day-end process. | Account to be classified as SMA-2 on 30 April 2023 |
| 4. | 29 May 2023 | Non-payment subsists at the time of running day-end process. | Account to be classified as NPA on 30 May 2023 |

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Loan Accounts classified as NPAs may be upgraded to 'Standard Asset' only if entire arrears of Principal and Interest are paid by the borrower.

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. For detailed guidelines in asset classification and provisioning, please refer to RBI's Master Circular - Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 and Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.