

## Customer Awareness

L&T Finance Holdings Limited (“**the Company**” or “**LTFH**”) 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** (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 **March 31, 20\*\***, and full dues are not received before the Company runs the day-end process for this date, the **date of overdue** shall be **March 31, 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		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-0	-
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

**Example:**

**SMA-1 Classification:**

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

**SMA -2 Classification:**

Similarly, if the above account remains overdue upon running **May 30, 20\*\*** day-end process it will be classified as **SMA -2**.

**NPA Classification:**

Aforementioned account if remains overdue upon running **June 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, non-achievement of date of commencement of commercial operations (DCCO), etc shall continue to be applicable.

- **Case study:**

<b>Sr. No</b>	<b>Date</b>	<b>Particular</b>	<b>Remarks</b>
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 once the all-previous dues including interest and payment are received by the Company.