

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

Motilal Oswal Home Finance Limited (MOHFL) is a professionally managed housing finance company. Lending function is fraught with recovery risk and with the growth of the portfolio certain loans would inevitably default in repayment and as per Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 (amended time to time) perpetually defaulting borrowers have to be declared as Special Mention Account ('SMA') or Non-Performing Assets ('NPA').

In this regard pursuant to 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP Norms) - Clarifications' dated November 12, 2021, and Prudential Framework for Resolution of Stressed Assets dated June 7, 2019, issued by Reserve Bank of India ('RBI'), MOHFL 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 moratoriumThe 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. MOHFL shall recognize incipient stress in borrower accounts, immediately on default, by classifying them as SMA/NPA as per below mentioned basis of classification;

Principal or interest payment or any other amount wholly or partly overdue i.e. pending (Days Past Due Status)	Classification as on day end
1- 30 days	SMA-0
31- 60 days	SMA-1
61-90 days	SMA-2
More than 90 days	NPA

3. MOHFL shall classify the borrower accounts as SMA as well as NPA at the day end of due date i.e. 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 EMI of a loan account is March 31, 2023, and full dues are not received before the lender runs the day-end process for this date, the date of overdue shall be March 31, 2023. If it continues to remain overdue, then this account shall get reported as SMA-1 upon running day-end process on April 30, 2023 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, 2023.

Similarly, if the account continues to remain overdue, it shall get reported as SMA-2 upon running day-end process on May 30, 2023 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2023.

4. NPAs may upgraded as 'Standard' asset only if **entire arrears** of interest and principal will be received from the borrower i.e. when Days Past Due ('DPD') becomes 0, of all availed credit facilities.
5. MOHFL shall impart training to employees of the company, to make the customer aware about overdue, SMA/NPA Classification, DPD Status etc.