

CUSTOMER AWARENESS ON CLASSIFICATION AS SMA / NPA

DSP FINANCE PRIVATE LIMITED

Version	Description	Prepared by	Approved by
1.0	Policy Formation	Priya Ranjit	Board of Directors on September 28, 2024
1.1	Annual Review	Sahib Pahwa	Board of Directors on August 19, 2025
1.2	Amendment	Sahib Pahwa	Board of Directors on February 12, 2026

1. Background

Pursuant to the **Master Direction – Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025 (“IRAC Directions”)** and the **Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Directions, 2025**, issued from time to time and with a view to increasing awareness among the borrowers, DSP Finance Private Limited (“**Company/DSP Finance**”) has formulated this document to explain with examples, the concepts of dues, overdue, Special Mention Accounts (“**SMA**”) and Non-Performing Assets (“**NPA**”) classification and upgradation, with specific reference to day-end process.

2. Definitions

- ‘**Dues**’ means, the principal / interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.
- ‘**Days Past Due (“DPD”)**’ refers to the number of days passed since a payment (principal, interest, EMI, or any other due amount) was not paid on its scheduled due date.
- ‘**Overdue**’ Any amount due to DSP Finance under any credit facility is ‘overdue’ if it is not paid on the due date.
- ‘**NPA**’ a loan or an advance where interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan or any other kind of loan granted by the Company to its borrowers.

3. Repayment Terms and Asset Classification Disclosure

- The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/loan agreement till full repayment of the loan.
- In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements.
- In case of existing loans, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/review.

4. Special Mention Accounts (“SMA”)

The Company shall recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). To remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

SMA categories	Basis for classification – Principal or interest payment or any 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

The above instructions on SMA classification of borrower accounts are to all loans, including retail loans, irrespective of size of exposure of the lending institution.

5. Classification of Loan

The borrower accounts shall be flagged as overdue by the Company as part of their 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 June 30, 2025, and full dues are not received before the DSP Finance runs the day-end process for this date, the date of overdue shall be June 30, 2025.
- If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on July 30, 2025 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be July 30, 2025.
- If the account further continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on Aug 30, 2025 i.e. upon completion of 60 days of being continuously overdue.

- *If it continues to remain overdue, it shall get classified as NPA upon running day-end process on September 29, 2025. i.e. upon completion of 90 days of being continuously overdue.*

6. Upgradation of accounts classified as NPAs

The loan accounts classified as NPAs may be upgraded as '**standard**' asset only if entire arrears of interest and principal are paid by the borrower. Regarding upgradation of accounts classified as NPA 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.

7. Effects of Account being NPA

The following are the effects on the borrower once an account becomes NPA:

- The borrower's credit profile/score is significantly impacted.
- Future loan availability may be restricted from the lenders.
- Additional recovery and legal steps may be initiated as per regulatory guidelines and internal policies of the Company.

8. How to Avoid SMA/NPA Classification

Following are important points on how a borrower can avoid getting their account be classified as SMA/NPA:

- Ensure timely repayment of EMIs and dues.
- Activate auto-debit or standing instructions.
- Monitor bank balance before EMI due dates.
- Update contact details to avoid missed communications.

9. Disclosure

In accordance with the IRAC Directions, the Company shall display this document on its website for the benefit of its customers.

10. Policy Review

The Board shall review the Policy from time to time as may be required or at least annually. Changes, if any, shall be effective only upon approval by the Board of Directors of the Company. Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy