ARKA

CUSTOMER AWARENESS

Arka Fincap Limited ("the Company" or "AFL"), in compliance with the Reserve Bank of India's prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to advances, including the RBI Circular RBI/2021-22/125, DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021, read with the subsequent clarification DOR.STR.REC.85/21.04.048/2021-22 dated February 15, 2022, and as amended, clarified, or supplemented by the Reserve Bank of India from time to time, shall classify and identify loan facilities as overdue, Special Mention Account (SMA), and Non-Performing Asset (NPA).

The upgradation of such accounts shall also be carried out strictly in accordance with the aforesaid RBI prudential norms, clarifications, and any subsequent directions or instructions issued by the Reserve Bank of India from time to time.

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, 20XX, 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, 20XX.

- **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 day-end process.

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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	Up to 30 days	SMA-0	-
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:

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

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

NPA Classification:
Aforementioned account if remains overdue upon running June 29, 20XX day-end process it will be classified as "NPA".

• Upgradation of accounts classified as NPAs:

Once account is classified as NPA, it shall be only be upgraded as standard assets upon payment of entire arrears of interest and principal (EMI) by the borrower at the time of running the day-end activity of that particular date.

Existing instructions as specified for accounts classifies as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc. shall continue to be applicable.

- Case Study:

S.NO.	DATE	PARTICULARS	REMARKS
1.	31st March 20XX	Non-Payment at the time of running day end process	Date of Overdue classified as SMA-0
2.	30th April 20XX	Non-payment subsists at the time of running day-end process.	Classified as SMA-1
3.	30th May 20XX	Non-payment subsists at the time of running day-end process.	Classified as SMA-2
4.	29th June 20XX	Non-payment subsists at the time of running day-end process.	Classified as NPA