

From:

Mr/Ms/M/s.

To
The Branch Head,
THE SAURASHTRA CO OP BANK LTD.

BRANCH: _____

Dear Sir,

With reference to the RBI circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances. I/we agree to the following:

With reference to the Credit facility/ies sanctioned to me/us vide sanction dated _____ and being availed by us today, I/we confirm having understood the following concepts and illustrative examples related to due dates classification of our borrower accounts as SMA/NPA in the course of the conduct of the accounts.

Concepts / Clarifications/illustrative examples on Due dates and specification of SMA/NPA classification dates

Dues:

mean, 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

Overdue:

mean the principal/interest/ any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the credit facility in other words, any amount due to the bank under any credit facility is overdue if it is not paid on the due date fixed by the bank.

Relevance of the Principle of 'First In First Out' (FIFO) in appropriation of payments into the borrower account:

The Principle of FIFO i.e., First In, First Out accounting method is relevant to arrive at the No of days of overdue for determining the SMA/NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FFO method thus requires that what is due first must be paid by the borrower first. For example,

if in any loan account as on 01.02.2021 there are no overdue and an amount of Rs. X is due for payment towards principal instalment/interest/charges any payment being credited on or after 01.02.2021 in the loan account will be used to pay off the dues outstanding on 01.02.2021

Assuming that nothing is paid /or there is partial payment (Rs Y) of dues during the month of February, the overdue as on 01.03.2021 will be Rs X-Y

Additionally, an amount of Rs.Z becomes due as on 01.03.2021, Now any payment /partial payment into the account on or after 01.03.2021 will be first utilized to pay off the partial due of 01.02.2021 (Rs X-Rs. Y) If there is more recovery than the Rs X-Rs.Y, then, after recovering dues of 01.02.2021, the remaining amount will be treated as recovery towards due of 01.03.2021 Age of oldest Dues:

The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the aforesaid illustration if the Dues relating to 1st February 2021 remain unpaid till 01.03.2021, the age of the oldest dues is reckoned as 29 days on 02.03.2021.

I/we agree to the following:

•**[Unsecured Loans]** To kindly deduct my EMI and other repayment/charges in terms of my Term Loan account on **Date:** _____ of every month year commencing from **Date:** _____. I understand that if I do not pay my EMI on the above-mentioned date, my account will be considered as ‘Overdue’ from the end of that date.
(Strike off if not applicable)

•**[Secured Term Loans]** To kindly deduct my Principal Installment and other repayment/charges in terms of my Term Loan account **Date:**_____ of every month year commencing from **Date:**_____.Kindly deduct my interest and other repayment/charges in terms of my Term Loan on the day of every month commencing from **Date:**_____.I understand that if I do not pay my dues on the above-mentioned date, my account will be considered as ‘Overdue’ from the end of that date.

•**[CC/OD]** To kindly deduct my interest and other repayment/charges in terms of my CC/OD account on 1st of every month commencing from **Date:**_____.I understand that if I do not pay my dues on the abovementioned date, my account will be considered as ‘Overdue’ from the end of that date. (Strike off if not applicable)

•My frequency of repayment shall be at **MONTHLY** rests. (Strike off if not applicable)

•I shall be required to pay my principal, interest and all other charges on _____, _____, _____ (Strike off if not applicable)

•I understand that the circular on ‘Prudential Framework for Resolution of Stressed Assets’ requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). Accordingly, the date of SMA/NPA shall reflect the asset classification status of my loan account at the day-end of that calendar date. An illustration of such classification is as follows:

Loans in the nature of Term Loans		Loans in the nature of 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-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

Non-performing Asset:

Non-Performing Asset (NPA) is a loan or an advance where:

1. interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
2. the account remains 'out of order' as indicated below, in respect of an Overdraft/Cash Credit (OD/CC),

Clarification regarding definition of ‘out of order’ status in Cash credit/Overdraft (CC/OD) accounts :

Cash Credit /Overdraft Account is classified as NPA if it is ‘out of order’. In cases where the outstanding balance in the principal operating account though less than the sanctioned limit/drawing power, the account should be treated as ‘out of order’ if there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period. Account shall be treated as ‘out of order’ if: .(i) the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or (ii). The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

NPA classification in case of interest payments

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days. These instructions shall be effective from March 31, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days.

Upgradation of accounts classified as NPAs

Loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower. With regard to up gradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified in respective RBI Circular shall continue to be applicable.

Annexure [Classification]

Illustrative movement of an account to SMA category to NPA category based on delay / nonpayment of dues and subsequent upgradation to Standard category at day end process:

Due date of payment	Payment date	Payment covers	Age of oldest dues in days	SMA/NPA Categorisation on	SMA Since date /SMA Class date	NPA Categorisation on	NPA Date
01.01.2022	01.01.2022	Entire dues up to 01.01.2022	0	NIL	NA	NA	NA
01.02.2022	01.02.2022	Partly paid dues of 01.02.2022	1	SMA-0	01.02.2022	NA	NA
01.02.2022	02.02.2022	Partly paid dues of 01.02.2022	2	SMA-0	01.02.2022	NA	NA
01.03.2022		Dues of 01.02.2022 not fully paid 01.03.2022 is also due at EOD 01.03.2022	29	SMA-0	01.02.2022	NA	NA
		Dues of 01.02.2022 fully paid, Due for 01.03.2022 not paid at EOD 01.03.2022	1	SMA-0	01.03.2022	NA	NA
		No payment of full dues of 01.02.2022 and 01.03.2022 at EOD 03.03.2022	31	SMA-1	01.02.2022/ 03.03.2022	NA	NA

		Dues of 01.01.2022 fully paid, Due for 01.03.2022 not fully paid at EOD 01.03.2022	1	SMA-0	01.03.2022	NA	NA
01.04.2022		No payment of dues of 01.02.2022 & amount due on 01.04.2022 at EOD 01.04.2022	60	SMA-1	01.02.2022/ 03.03.2022	NA	NA
		No payment of dues of 01.02.2022 till 01.04.2022 at EOD 02.04.2022	61	SMA-2	01.02.2022/ 02.04.2022	NA	NA
01.05.2022		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 01.05.2022	90	SMA-2	01.02.2022/ 02.04.2022	NA	NA
		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 02.05.2022	91	NPA	NA	NPA	02.05.2022
01.06.2022	01.06.2022	Fully paid dues of 01.02.2022 at EOD 01.06.2022	93	NPA	NA	NPA	02.05.2022
01.07.2022	01.07.2022	Paid entire dues of 01.03.2022 & 01.04.2022 at EOD 01.07.2022	62	NPA	NA	NPA	02.05.2022
01.08.2022	01.08.2022	Paid entire dues of 01.05.2022 & 01.06.2022 at EOD 01.08.2022	32	NPA	NA	NPA	02.05.2022
01.09.2022	01.09.2022	Paid entire dues of 01.07.2022 & 01.08.2022 at EOD 01.09.2022	1	NPA	NA	NPA	02.05.2022
01.10.2022	01.10.2022	Paid entire dues of 01.09.2022 & 01.10.2022	0	Standard account with no overdue	NA	NA	STD from 01.10.2022

I/we also understand that the aforesaid few examples are illustrative and not exhaustive in nature covering common scenarios and that, the IRACP norms and clarifications provided by RBI on the subjects referred above will prevail.

Further I/We confirm that bank Officer / Staff has explained above contents to me/us.

Please note the additional terms and conditions as specified above shall form an integral part and shall be read in conjunction with the Loan Agreement executed by you, as if these additional terms and conditions have been specifically incorporated therein.

I/We have read the terms & conditions mentioned in this letter & accept the same.

(1)_____

(1)_____

(2)_____

(2)_____

(3)_____

Signature of Customer/Borrowers/guarantors.