

### **SMA / NPA classification**

If a situation of Negative availability on the Funds in use (FIU) Account continuously persists for a period of 30 days, the account shall get tagged as SMA-1 on the next day.

Example I: If an account has negative availability at close of business on March 31, 2021, and if the situation of negative availability continues till close of business on April 30, 2021 i.e. upon completion of 30 days of continuous negative availability, then the account shall get tagged as SMA-1 on April 30, 2021.

Example II: Similarly, if the account continues to have negative availability till day-end on May 30, 2021, it shall get tagged as SMA-2 on May 30, 2021 and if it continues to have negative availability further, it shall get classified as NPA upon day-end on June 29, 2021.

**Availability** means at any time, an amount equal to the aggregate of all Outstanding Approved Receivables MULTIPLIED by the Prepayment Percentage, less the balance of the Client in the FIU Account, at all times subject to an upper FIU Limit of Facility, Aggregate FIU Limit for the Client or Aggregate FIU Limit for Client Group, whichever is lesser. Where the Facility Limits are in different currencies, Availability will be calculated by converting all unpaid balances at a notional exchange rate determined by India Factoring.

**Funds-in-use (FIU) Account:** means an account maintained by India Factoring in the name of the Client to record all sums payable by the Client and/or paid to the Client and all payments received in relation to Receivables and/or all sums paid by the Client to India Factoring.

### **NOTE:**

- a) In case of factoring (with recourse), the exposure is reckoned on the Seller and reporting of SMA/ NPA to Credit Information Companies (CICs) is undertaken as SMA 1 (31 to 60 days), SMA 2 (61 to 90 days) and NPA (> 90 days), as applicable, basis negative availability as explained above.
- b) For domestic factoring (without recourse), the exposure is reckoned on the Buyer and reporting to CICs shall be undertaken in domestic buyers' bureau as SMA 0 (1 to 30 days), SMA 1 (31 to 60 days), SMA 2 (61 to 90 days) and NPA (> 90 days) as applicable, based on ageing of underlying invoices.