

IRAC Norms – Axis Bank Commercial Cards

With a view to increase awareness amongst the borrowers, mentioned below are concepts / clarifications / illustrative examples on due dates and specification of Special Mention Account (SMA) / Non-Performing Asset (NPA) classification dates.

(a) Reserve Bank of India (RBI) guidelines on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances - clarifications dated 12th November, 2021:

RBI vide its circular no. RBI/2021-2022/125 DOR.STR.REC.68/ 21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP), pertaining to Advances – Clarifications' dated November 12, 2021 has clarified and/or harmonised certain aspects of the extant regulatory guidelines relating to SMA / NPA classification dates, dates of overdue, etc. with a view to bring about uniformity and common understanding regarding the implementation of the guidelines on IRACP in a harmonised manner. The Borrower agrees, undertakes and confirms that the Bank has brought the following clarifications to the notice of the Borrower and the Borrower confirms of having been apprised of as follows:

1.1 Additional Terms and Conditions:

The Bank will deduct the applicable fee and other repayment / charges in terms of my commercial card account on the statement due date as applicable. 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.

1.2 Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):

(i) **Dues:** The principal / applicable fee / any charges levied on the commercial card account which are payable within the period stipulated as per the terms of sanction of the commercial card facility.

(ii) **Overdue:** The principal / applicable fee / any charges levied on the commercial card account which are payable but have not been paid within the period stipulated as per the terms of sanction of the card facility. In other words, any amount due to the bank under any credit facility is 'overdue' if it is not paid by the due date fixed by the bank.

(iii) **Relevance of the principle of 'First In First Out' (FIFO) in appropriation of payments into the Borrower's account:**

The Principle of FIFO i.e. 'First In, First Out' accounting method is relevant to arrive at the number of days overdue for determining the SMA/NPA status. The FIFO principle assumes that the oldest outstanding dues in the commercial card account needs to be cleared first. The FIFO method thus requires that what is due first must be paid by the Borrower first.

For example, if in any commercial card account as on 01-02-2021, there are no overdues and an amount of INR 100 is due for payment towards total amount due or outstanding /charges, then any payment being credited on or after 01-02-2021 in the commercial card account will be used to pay off the dues outstanding on 01-02-2021.

Assuming that nothing is paid / or there is partial payment (INR 80) of dues during the month of February, the overdue as on 01-03-2021 will be INR 20 i.e. INR 100 - INR 80.

Additionally, an amount of INR 100 becomes due as on 01-03-2021. Now any payment/part payment into the account on or after 01-03-2021 will be first utilized to pay off the partial due of 01-02-2021 (INR 100 - INR 80). If there is more recovery than INR 20, i.e. INR 100 - INR 80, then after recovering dues of 01-02-2021, the remaining amount will be treated as recovery towards due of 01-03-2021.

(iv) **Age of oldest dues:** The age of oldest dues is calculated 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 01-02-2021 remain unpaid till 01-03-2021, the age of the oldest dues is reckoned as 29 days on 02-03-2021.

(b) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):

Lending institutions will recognize the incipient stress in loan accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis of classification of SMA / NPA category shall be as follows:

Loans other than revolving facilities		Loans in the nature of commercial card facility	
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	NA	NA
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

(c) Non-performing Asset: Non-Performing Asset (NPA) is a commercial card facility or an advance where:

- (i) Applicable fees and other repayments / charges remain overdue for a period of more than 90 days in respect of a commercial card
- (ii) The commercial card remains blocked as indicated below, in respect of a commercial card facility

(d) Further a commercial card facility will be blocked with the below status if:

X	Delinquent customer 0-15 days
X1	Delinquent customer 16-35 days
V	Delinquent customer 35-65 days
W	Delinquent customer 65-95 days
Y	Delinquent customer 95-125 days
Y0	Delinquent customer 95-125 days bal < 3000
Y1	Delinquent customer 125-155 days
Y2	Delinquent customer 155-185 days
Z	Delinquent customer > 185 days
Z2	Write off accounts

- (i) The outstanding balance in the commercial card account remains continuously in excess of the sanctioned limit / drawing power for 90 days, or
- (ii) The outstanding balance in the commercial card account is less than the sanctioned limit / drawing power but there are no credits continuously for 90 days, or the outstanding balance in the commercial card 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.

Illustrative movement of an account to SMA category and further to NPA category based on delay / non-payment of dues and subsequent upgrade to Standard category at day end process:

Due date of payment	Payment date	Payment covers	Age of oldest dues in days	SMA /NPA categorisation	SMA since date / SMA class date	NPA categorisation	NPA Date
01.01.2022	01.01.2022	Entire dues upto 01.01.2022	0	NIL	NA	NA	NA
01.02.2022	01.02.2022	No Payment or Partly paid dues of 01.01.2022	1	SMA-0	01.02.2022	NA	NA
01.02.2022	02.02.2022	No Payment or Partly paid dues of 01.01.2022	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 is 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 01.02.2022 fully paid, due for 01.03.2022 not fully paid	1	SMA-0	01.03.2022	NA	NA

		at EOD 01.03.2022					
01.04.2022		No payment of dues of 01.02.2022, 01.03.2022 and amount dues on 01.04.2022 at EOD 01.04.2022	60	SMA-1	01.02.2022 / 02.04.2022	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	NA	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	32	NPA	NA	NPA	02.05.2022

		EOD 01.08.2022					
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 Overdues	NA	NA	STD from 01.10.2022

(e) The Borrower agrees and acknowledges that the manner of classification and illustrations of SMA and NPA as provided in sub-clauses (a) to (d) above in which the Bank is required to classify accounts as SMA / NPA as per the various applicable regulations and guidelines issued by RBI from time to time and:

- (i) the same is liable to change / be modified as per the requirements of the RBI guidelines in the matter issued from time to time. Any such change shall be intimated by the Bank to the Borrower from time to time and the Borrower agrees and acknowledges that such intimation shall accordingly modify the manner and illustrations provided herein without a need for further amendment to the Agreement or require specific acknowledgment of the Borrower; and
- (ii) the Bank shall have the right to classify the account of the Borrower with the Bank as SMA / NPA as per the applicable regulations / guidelines issued by RBI from time to time even though the manner of classification and the illustrations thereof are not set forth in this Agreement or the Sanction Letter(s).

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