

**Classification on Special Mention Account (“SMA”) and Non-Performing Asset (“NPA”) on account of overdue in loan account**

With reference to the Credit Facilities with ICICI Bank Limited, Singapore Branch (“Branch”/ “Bank”), the Bank wishes to highlight, the following concepts, inter alia, related to due dates and classification of your borrowal accounts as Special Mention Account (SMA)/ Non Performing Asset (NPA) in the course of the conduct of the loan accounts as per the guidelines applicable to the Bank.

**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/ 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 borrowal account:**

The principle of FIFO accounting method is relevant for arrive at the number 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 FIFO method thus requires that what is due first must be paid by the Borrower first.

For example, if as on February 01, 2021 there are no overdues in the loan account and an amount of USD X is due for payment towards principal instalment/interest/charges, any payment being credited on or after February 01, 2021 in the loan account will be used to pay off the dues outstanding on February 01, 2021.

Assuming that nothing is paid /or there is partial payment (USD Y) of dues during the month of February, the overdue as on March 01, 2021 will be USD X-Y.

Additionally, an amount of USD Z becomes due as on March 01, 2021 now any payment/partial payment into the account on or after March 01, 2021 will be first utilized to pay off the partial due of February 01, 2021 (USD X – USD Y). If there is more recovery than the USD X - USD Y then after recovering dues of February 01, 2021, the remaining amount will be treated as recovery towards due of March 01, 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 February 01, 2021 remain unpaid till March 01, 2021, the age of the oldest dues is reckoned as 29 days on March 02, 2021

**Classification as Special Mention Account (“SMA”) and Non-Performing Asset (“NPA”)**

The local guidelines issued by Monetary Authority of Singapore (MAS) and the internal guidelines of the Bank developed based on the MAS guidelines considers overdue in loan account as one of the criteria for tagging the borrower account as SMA/ NPA. Lending institutions will recognize the incipient stress in loan accounts, immediately on default by classifying them as SMA. The basis of classification of SMA /NPA category shall be as follows:

**Special Mention Account (SMA)**

Loans in the nature of Term Loans/working capital	
SMA Sub-category	Basis for classification when principal or interest payment or any other amount wholly or partly overdue
Special Mention (SMA)	More than 30 days and upto 90 days. However, account where payment is overdue for less than 30 days or account where no payment overdue, may still be classified as Special Mention based on additional criteria as mentioned below*

\*There are additional criteria for classifying assets as SMA including but not limited to:

- i. A declining trend in the operations of the borrower that signals a potential weakness in the financial position of the borrower, but not to the point that repayment is jeopardised;
- ii. Economic and market conditions that may unfavourably affect the profitability and business of the borrower in the future;

**Non-performing Asset (NPA):** The asset will be tagged as NPA in event of an overdue in following scenarios:

- i. Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. The outstanding amount, including interest, has remained in excess of the approved limit for a period of more than 90 days, the case of a revolving credit facility/working capital,
- iii. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted

Similarly, there are additional criteria for classifying assets as NPA including but not limited to

- i. Inability of the borrower to meet contractual repayment terms of the credit facility;
- ii. unfavourable economic and market conditions or operating problems that would affect the profitability and business of the borrower in the future;
- iii. Weak financial condition or the inability of the borrower to generate sufficient cash flow to service the payments;

- iv. Difficulties experienced by the borrower in repaying other credit facilities granted by the same bank, or by other financial institutions;
- v. Breach of any key financial covenants by the borrower;

The Bank shall at all times, classify/ adjudge the Borrower's loan accounts as SMA/ NPA according to the applicable laws, regulations and internal policies of the Branch. Additionally, the guidelines on asset classification issued by the Reserve Bank of India (Branch's Head Office regulator) would continue to remain applicable on the Branch.

This letter shall form part of the Transaction Documents and shall be read in conjunction with the other Transaction Documents.