

Customer Awareness on Classification of Loan Account as SMA and NPA

This communication is to increase the awareness of our customers on the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to the day-end process in line with the RBI Regulations.

Pursuant to the Reserve Bank of India (RBI) guidelines on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” as notified vide circulars dated November 12, 2021 and February 15, 2022 Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation), 2023 (hereinafter referred to as “SBR”), the RBI has clarified the concepts of Overdue and Special Mention Account (SMA) / Non Performing Asset (NPA) classification and upgradation of accounts, as mentioned below, to ensure uniformity across all lending institutions.

Due date/repayment date: It is the date on which the instalment comprising of principal/ interest billed on the loan account is payable as mentioned in the sanction terms/loan agreement.

Overdue (default) accounts: An account shall be in default when principal/ arrears of interest is not paid in full as seen on the respective due date mentioned in the sanction terms/loan agreement, such account shall be specified as an overdue loan account. The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

Basis for classification of loans: For better understanding, the basis for classification of a loan account as SMA and NPA and an example for the same, as mentioned below:

SMA 0: Up to 30 days

SMA 1: from 31 to 60 days

SMA 2: from 61 to 90 days

NPA: more than 90 days

Classification of loan accounts as SMA or NPA is done as part of the day-end process of the Company for the relevant date, and the SMA or NPA classification date shall be the calendar date for which the day-end process is run by the Company.

Example for SMA/NPA classification: If the due date of a loan account is March 31, 2021, 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, 2021. If this loan account continues to remain overdue up to 30 days, then the same will be classified as SMA-0. Further, if it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on April 30, 2021, i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running the day-end process on May 30, 2021, and if it continues to remain overdue further, it shall get classified as NPA upon running the day-end process as per extant asset classification norms.

As per the SBR **a loan account classified as NPA will be upgraded as standard asset only if the entire outstanding arrears of principal, interest and/or other amounts due and payable therein are paid by you in full** [here the expression "standard asset" means and refers to a loan account which is not required to be classified as SMA or NPA].

In light of the above, the Company advises all its customers to pay the instalments and other amounts, if any, on or before the respective due dates without any delay or default and avoid classification of their accounts as SMA or NPA.

Important Note:

- Pay your instalments on time, which helps you build your Credit Score
- A Higher Credit Score may help you get a higher loan value with lower interest rates