

As per RBI's notification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications ('RBI Circular') dated November 12, 2021, norms of NPA have been revised.

Key Highlights of NPA Norms Followed by Company is as below:

1. The timelines for Special Mention Account (SMA) categorisation is based on the overdue timeline for SMA 0, SMA 1 and SMA 2 shall be:
 - SMA 0 - upto 30 days;
 - SMA 1 - more than 30 upto 60 days;
 - SMA 2 - more than 60 upto 90 days
2. The Classification of borrower accounts as Special Mention Account (SMA) as well as Non-Performing Asset (NPA) shall be done as part of the day-end process for the relevant date. The SMA or NPA classification date shall be the calendar date for which the day end process is run. The said SMA classification of borrower accounts are applicable to loans granted by Company.
3. Loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower.

Key Highlights of NPA Norms Followed by Company is as below:

As per circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 by RBI on 'Prudential Framework for Resolution of Stressed Assets', lenders will recognise incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA).

The SMA categories shall be as follows:

Overdue	Classification
For a period upto 30 days	SMA-0
For a period more than 30 days and upto 60 days	SMA-1
For a period more than 60 days and upto 90 days	SMA-2
For a period more than 90 days	NPA*

Loan account once classified as NPA can be upgraded as standard only after entire arrears of principal, interest and any other amount are paid by the borrower.

Illustration For Classification of Borrowers Account As SMA/NPA For Easy Reference:

If Due date of a Loan account repayment is March 31, 202X, then indicative SMA/NPA classification shall be as follows:

- If due date of a loan account is March 31, 202X, and full dues are not received by the lender on this date, the date of overdue shall be March 31, 202X.
- If it continues to remain overdue, then this account shall get tagged as SMA-1 upon the day- end of April 30, 202X 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, 202X.
- Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon the day-end of May 30, 202X and if continues to remain overdue further, it shall get classified as NPA upon the day-end of June 30, 202X as per extant asset classification norms of Reserve Bank of India.

What Is “Days Past Due (DPD)”

It indicates whether you have been consistent in your repayments and if you have missed any, how many instalments you have missed and by how many days.

The counting of DPD will be considered based on the oldest payment due date and the number of days falling due shall be counted to classify the loan account as NPA.

In case the due date and billing date are different, the former would be considered for the purpose of calculating the DPD (days past due).

Upgradation Of Accounts Classified As NPAs

The loan accounts classified as NPAs may be upgraded as ‘standard’ assets only if entire arrears of interest and principal are paid by the borrower. Partial

payment, such as payment of only interest or only one instalment, shall not result in the upgradation of the loan account. Once a loan account is classified as an NPA, it shall remain as such till the time the entire outstanding amount is repaid.

Further In case of borrowers having more than one credit facility, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

[Company should place consumer education literature on its websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. It shall also consider displaying such consumer education literature in its place of business by means of posters and/or other appropriate media.]