

CONSUMER EDUCATION LITERATURE

1. Introduction :

The Reserve Bank of India (RBI) released “Prudential Norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances – Clarifications” on November 12, 2021, to be read in conjunction with **Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** dated October 19, 2023.

2. Objective :

With a view to increasing awareness among borrowers of **KHUSHBU AUTO FINANCE LIMITED (hereinafter referred as “KAFL”)**, this document covers the concept of date of overdue, SMA and NPA classification and upgradation, & related provisions for ease of understanding.

The examples quoted herein are indicative and relate to general scenarios and are not exhaustive in nature. The guidelines issued & amended by RBI from time to time shall prevail for implementation.

3. What is Dues & Overdue? :

Dues: Dues means the principal /interest/any charges levied on the loan account which are payable within the period stipulated as per terms of sanction of the loan.

Overdue: Overdue means the principal/interest/any 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 loan. In other words, any amount due to the NBFC under any loan is ‘overdue’ if it is not paid on the due date fixed by the NBFC.

4. What is the meaning of overdue account?

An account is classified as “Overdue” if any amount due to KAFL is not paid on the due date fixed by the KAFL & agreed by borrower as per the loan agreement. The amount may refer to principal or interest or any other amount due (whether wholly or partly due).

The date of classifying a loan account as “Overdue” shall be the date on which the amount was due but not paid by the borrower.

Example: *If the due date of a loan account is March 31, 2024 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, 2024*

5. What is days past due (DPD)?

It is the number of days for which your account has remained in overdue status.

For example, if on the due date, full dues are not received by KAFL before its day end process are run, the account shall become overdue by 1 day (that is 1 DPD). Accounts at 1DPD are also called as SMA-0.

The customer needs to ensure that all payments due are received & realized by KAFL before its day end processes are run on or before the due date.

6. What is SMA & what is NPA?

An account is classified as Special Mention Account (SMA) or Non-Performing Account (NPA) based on days past due (DPD).

The classification of borrower accounts as SMA as well as NPA shall be done as part of the day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Non-Performing Asset (NPA): The Loan Account shall be classified as Non-Performing Asset (NPA) where interest and/ or instalment of principal remains overdue for a period of more than 150 days in respect of a loan.

The basis for the classification of SMA/NPA categories shall be as follows:

SMA/NPA	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	An account remaining overdue for up to 30 days
SMA-1	An account remaining overdue for more than 30 days & up to 60 days
SMA-2	An account remaining overdue for more than 60 days & up to 150 days
NPA	An account remaining overdue for more than 150 days

Example: If due date of a loan account is March 31, 2024, and full dues are not received before the lending institution runs the day-end process for this date, then this account shall get tagged as SMA-0 and the date of overdue shall be March 31, 2024. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2024 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, 2022.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day end process on May 30, 2022 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process as per extant asset classification norms.

7. Upgradation of accounts classified as NPAs:

The loan account classified as NPA can be upgraded as “Standard” only if the entire arrears of interest and principal are paid in full and there is NIL arrears upon running day end process of that calendar date. 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.