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CUSTOMER EDUCATION LITERATURE DOCUMENT

Introduction

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, the RBI has clarified the concepts of Overdue dates and Special Mention Account (SMA) / Non Performing Asset (NPA) classification and upgradation of accounts, as referred herein below, to ensure uniformity across all lending institutions.

Objective

With a view to increasing awareness among borrowers of Electronica Finance Limited (EFL), this document covers the concept of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. The examples quoted herein are indicative and relate to general scenarios and are not exhaustive in nature. This communication is subject to interpretation as per the guidelines issued & amended by RBI from time to time.

Dues

Dues means the principal /interest/any charges levied on the loan account which are payable within the period stipulated and agreed as per terms of sanction of the loan and under the contractual agreed repayment schedule under loan agreement.

Over Due

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 and as mentioned under loan documents. In other words, any amount due to the EFL under any loan is 'overdue' if it is not paid on the due date fixed by the EFL.

DPD (Days Past Due)

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

For example, if on the due date, full dues are not received by EFL before its day-end processes 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 EFL before its day-end processes are run on or before the due date. Further, if the due date falls on a nonworking day, the borrower has to ensure that the repayment is made on or before the due date.

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

As per RBI circular on 'Prudential Framework for Resolution of Stressed Assets' lender is required to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). The basis for classification of SMA categories shall be as follows

Loans other than revolving facilities	
SMA Sub-categories	Basis for classification – Principle or interest payment or any other amount wholly or partly overdue
SMA – 0	Upto 30 Days
SMA - 1	More than 30 days and upto 60 days
SMA – 2	More than 60 days and upto 90 days
NPA	More than 90 days

The borrowers accounts shall be flagged as overdue by the EFL as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of 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.

Example: If due of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running 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 day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

It is further clarified that the instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.

Upgradation of accounts classified as NPAs

The loan accounts classified as NPAs may be upgraded as 'Standard' asset, only if entire arrears of interest principle or any other dues are paid by the Borrower/Guarantor.

In case of borrowers having more than one loan account from a lending institution, 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.

For any account classification related queries, kindly write to contact@electronicafinance.com

For detailed guidelines on asset classification and provisioning, please refer to the RBI's Master Circular - Prudential Norms on IRACP pertaining to Advances dated April 1, 2022. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.

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