

The Reserve Bank of India (“RBI”) instructions on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances dated November 12, 2021

With reference to the RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances — Clarifications' dated November 12, 2021, the following clarifications may kindly be noted:

1. Clarification on 'Overdue':

An amount is to be treated as 'Overdue' if it is not paid on the due date fixed by the Company.

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

The Borrower is hereby informed that in the event there is a delay of payment of principal, interest or any other applicable payment due to the lender, then their facility will be classified in a manner as laid out by Reserve Bank of India (RBI) in Master Circular *RBI/2021-2022/104 DOR.No.STR.REC.55/21.04.048/2021-22 dated:01-10-2022*, which is as follows:

Loans other than revolving facilities	
Classification	Basis for classification –Principal 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.

Illustration: If due date 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. For further clarity, the Borrower is can infer the flow of dates from the table below:

STATUS	DPD	Instance 1	Instance 2	Instance 3	Instance 4 (Leap Year)
*Due-date/ Overdue (if not paid)	1 day	05-02-22	03-06-22	15-01-22	15-01-24
SMA-1*	31 days	07-03-22	03-07-22	14-02-22	14-02-24
SMA-2*	61 days	06-04-22	02-08-22	16-03-22	15-03-24
NPA*#	91 days	06-05-22	01-09-22	15-04-22	14-04-24

- A. Any amount due to the lender under any credit facility is 'overdue' if it is not paid on the due date fixed by the Lender. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL etc. and the CIBIL report of the customer will reflect defaults and its classification status.
Moreover, the Borrower is informed & agrees upon, that:
- B. In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.
- C. Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the Borrower.