

CUSTOMER EDUCATION LITERATURE ON SMA/NPA

1. 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 mentioned below, to ensure uniformity across all lending institutions.

2. Objective

With a view to increasing awareness among borrowers of AMU Leasing Private Limited, this document covers the concept of SMA, NPA 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.

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.

3. What is the meaning of Overdue account?

An account is classified as “Overdue” if any amount due to AMU Leasing Private Limited under any credit facility is not paid on the due date fixed AMU Leasing Private Limited 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.

4. 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 AMU Leasing Private Limited 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 AMU Leasing Private Limited before its day-end processes are run on or before the due date. Further, if the due date falls on a non-working day, the borrower has to ensure that the repayment is made on or before the due date.

5. When is an account treated as Current? What are its benefits?

An account wherein all payments are made as & when due is treated as “Current”. In other words, any account with nil DPD is Current (Other than SMA/NPA).

Benefits of Accounts treated as “Current”:

- Strong credit profile – high credit score in credit bureau report
- Easy access to funds from Banks & NBFCs
- **Competitive rate of interest**

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 180 days in respect of a loan.

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

SMA Sub-categories/ NPA	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue								
SMA-0	Up to 30 days								
SMA-1	More than 30 days and up to 60 days								
SMA-2 /	More than 60 days and up to 90 days								
NPA	In case of NBFC Base Layer, the references to 90 days for NPA classification may be read as per the applicable norms and also subject to the provisions of the circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on 'Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs A glide path is provided to NBFCs in Base Layer to adhere to the 90 days NPA norm as under * :-								
	<table border="1"> <thead> <tr> <th>NPA Norms</th><th>Timeline</th></tr> </thead> <tbody> <tr> <td>>150 days overdue</td><td>By March 31, 2024</td></tr> <tr> <td>>120 days overdue</td><td>By March 31, 2025</td></tr> <tr> <td>> 90 days</td><td>By March 31, 2026</td></tr> </tbody> </table> <p>* It may vary due to company approved board policy.</p>	NPA Norms	Timeline	>150 days overdue	By March 31, 2024	>120 days overdue	By March 31, 2025	> 90 days	By March 31, 2026
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The committee discussed and recommend to the board for its approval Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day end of that calendar date. An illustration of such classification is as follows: Examples of SMA/NPA classification dates:

SMA 0 – If due date of a loan account is 31st March, 2021, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2021.

SMA 1 – If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e., 30th April, 2021.

SMA 2- If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May, 2021.

NPA – If the account continues to remain overdue more than 180 days, it shall get tagged as SMA-2/NPA on 27th September, 2021.

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.

8. What will happen if your account gets tagged as NPA?

A customer getting classified as NPA has several detrimental impact on his/her credit profile. Some of the effects are as highlighted below:

- a. Reminders through phone calls, sms, notices sent by the lender
- b. Recall of entire loan amount
- c. Visits by relationship manager for recovery of dues
- d. Police complaints
- e. Legal actions
- f. Downgrade of your credit score on Credit bureaus thereby making it difficult for you to avail loans in future.

9. How to move your account out of NPA?

You can move your account/s out of NPA by repayment of ALL dues overdues in ALL the facilities availed by you from AMU Leasing Private Limited.

10. How to ensure that your account always remains in current status?

You can follow simple steps depicted below to ensure that your account always remains in current status.

- a. Ensure that your account has sufficient balance before the EMI due date.
- b. If your EMI amount does not get debited on the due date, please reach out to Customer Care or nearest AMU Leasing Private Limited Branch.

11. Whom can I contact in case of queries?

For any account classification related queries, kindly write to info@amuleasingpl.com