

CONSUMER EDUCATION LITERATURE ON SMA AND NPA CLASSIFICATION

As per RBI clarifications issued on 12 November 2021 and 15 February 2022 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP norms) applicable to all Non-Banking Financial Companies.

Detailed writeup on date of overdue, SMA and NPA classification and upgradation of NPA and day-end process for calculation of the same is mentioned below:

1. OVERDUE AND DATE OF OVERDUE

Any amount due to the Capsave Finance Private Limited (hereinafter referred to as the Company/ CFPL) under any credit facility shall be treated as overdue if it is not paid on the due date. Borrower accounts shall be flagged as an overdue account by CFPL as part of the day-end process for the due date and the date of overdue shall be the calendar date for which the day-end process is run.

Example: If the due date of a loan account for making repayment is March 31, 2021 and full dues are not received before CFPL runs the day-end process for this date, the date of overdue shall be March 31, 2021.

2. CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA) and NON-PERFORMING ASSET (NPA)

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.

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

Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	Classification Code
Upto 30 days	SMA-0
More than 30 days and upto 60 days	SMA-1
More than 60 days and upto 90 days	SMA-2
More than 90 days	NPA

Example:

If the due date of a loan account is March 31, 2022, and full dues are not received before the day-end process for this date, the date of overdue shall be March 31, 2022. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022 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 on June 29, 2022.

3. IMPACT OF SMA/NPA CLASSIFICATION

Any delinquency in the loan account as mentioned above will be reported to Credit Information Companies and the credit score of the customer shall be impacted adversely.
