

CONSUMER EDUCATION LITERATURE

RBI had issued clarification on 12th November 2021 and 15th February 2022 vide RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 and RBI/2021-2022/158 DOR.STR.REC.85/21.04.048/2021-22 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances applicable to all Non-Banking Financial Companies (including Housing Finance Companies).

With a view to ensure uniformity in the implementation of IRACP norms across all lending institutions, certain aspects of the extant regulatory guidelines are clarified and/or harmonized via this clarification.

Below is the detailed writeup on date of overdue, SMA and NPA classification and upgradation of NPA and day-end process for calculation of calculation of the same.

1. OVERDUE AND DATE OF OVERDUE

Any amount due to the InCred Financial Services Limited (hereinafter referred to as the Company/ IFSL/ InCred) 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 InCred 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 InCred runs the day-end process for this date, the date of overdue shall be March 31, 2021.

2. CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA)

Classification of the borrower account as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the day- end process is run.

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

TERM LOANS	
SMA categories	Sub-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

Example:

If due date of a loan account is March 31, 2021, and full dues are not received before 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.

3. CLASSIFICATION AS NON-PERFORMING ASSET (NPA)

Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run.

A Non-Performing Asset (NPA) is a loan where interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.

4. IMPACT OF SMA CLASSIFICATION ON CIBIL/ CREDIT REPORT:

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