

LITERATURE ON CONSUMER EDUCATION

This literature has been framed with an intention to increase the awareness among the borrowers in pursuance to 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**”. The borrowers may kindly note the following clarifications:-

A. Concept of date of overdue

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

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

The RBI circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 on ‘Prudential Framework for Resolution of Stressed Assets’ requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as **special mention accounts (SMA)**. In order to remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

SMA Sub-categories	Loans other than revolving facilities	Loans in the nature of revolving facilities
	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Up to 30 days	
SMA-1	More than 30 days and up to 60 days	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	More than 60 days and up to 90 days

it is further clarified that borrower accounts shall be flagged as overdue by JMJ Finance Limited 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 date of a loan account is March 31, 2021, and full dues are not received before JMJ Finance limited 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.

C. NPA classification in case of interest payments

- 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.
- These instructions shall be effective from March 31, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days

D. Upgradation of accounts classified as NPAs

A loan account which is classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. In order to avoid any ambiguity in this regard, it is clarified that an account which is classified as NPA cannot be upgraded to 'standard' asset category upon payment of only interest over dues, partial over dues, etc.