

KEERTANA FINSERV PRIVATE LIMITED (KEERTANA)

Consumer Education Literature – SMA and NPA Classification	
Date of Last Approval/Review	NA
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Reviewed By	Mr. Prakash Bhawnani
Recommended by	Audit Committee
Approved by / Authority to amend the policy	Board of Directors
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Disclosure	This document shall be published on Company's website and the same should be displayed on all the branch offices

Version Control

Version	Date	Description	Description of Changes
1.0	March 2024	Consumer Education Literature – SMA and NPA Classification	NA

Consumer Education Literature – SMA and NPA Classification

In compliance with Master Direction- Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions,2023 and RBI circular RBI/2021-2022/125 dated 12 Nov 2021 on IRACP (Income Recognition, Asset Classification and Provisioning pertaining to Advances) norms – **point no. G** on consumer education, lending institutions are required to place Consumer Education Literature on their websites for increasing awareness among consumer’s w.r.t concepts of overdue, SMA and NPA classification and up gradation.

Accordingly, the concepts/ clarifications/ illustrative examples on due dates and specification of SMA/ NPA have been detailed out for your ready reference.

Dues: Indicate the principal/ interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

Overdue: Indicates 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 credit facility. In other words, any amount due to the Company (“Keertana”) under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the Keertana.

Relevance of the Principle of ‘First-In-First Out’ (FIFO) in appropriation of payments into the borrower account:

The Principle of FIFO accounting method is relevant to arrive at the No. of days of overdue for determining the SMA/ NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FIFO method thus requires that what is due first must be paid by the borrower first.

For example: If in any loan account as on 01.02.2022 there are no dues and an amount of Rs. 50,000 is due for payment towards principal instalment/interest/charges on 01.02.2024. Any payment being credited on or after 01.02.2024 in the loan account will be used to pay off the dues outstanding on 01.02.2024

Assuming that there is a partial payment Rs 10,000/- of dues during the month of February, the overdue as on 01.03.2024 will be Rs 40,000/- (INR 50,000 – INR 10,000)

Additionally, an amount of Rs. 10,000/- becomes due as on 01.03.2024. Now any payment /partial payment received into the account on or after 01.03.2023 will be first utilized to pay off the partial due of 01.02.2024 of INR 40,000/-. If there is more recovery than the INR 40,000/-, then after recovering dues of 01.02.2024, the remaining amount will be treated as recovery towards due of 01.03.2024.

Age of oldest Dues: The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the aforesaid illustration, if the dues relating to 1st February 2024 remain unpaid till 1st March 2024, the age of the oldest dues is reckoned as 29 days on 2nd March 2024.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA) :- Lending institutions will recognize the incipient stress in loan accounts, immediately on default, by classifying

them as Special Mention Account (SMA) or Non-Performing Asset (NPA). The basis of classification of SMA / NPA category shall be as follow (for Loans):

SMA Sub-categories	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

Non-performing Asset:

Non-Performing Asset (NPA) is a loan or an advance where:

- interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

Illustration:

Illustrative movement of an account to SMA category to NPA category based on delay / non-payment of dues and subsequent upgradation to Standard category at day end process:

Due date of Payment	Payment Date	Payment Covers	Age of Oldest Dues in date	SMA/NPA categorisation	SMA since date and SMA class date	NPA categorisation	NPA date
01.01.2024	01.01.2024	Entries due upto 01.01.2024	0	NIL	NA	NA	NA
01.02.2024	01.02.2024	Partly paid dues of 01.02.2024	1	SMA-0	01.02.2024	NA	NA
01.02.2024	02.02.2024	Partly paid dues of 01.02.2024	2	SMA-0	01.02.2024	NA	NA
01.03.2024		Dues of 01.02.2024 not fully paid. On 01.03.2024, there is additional due at EOD 01.03.2024	29	SMA-0	01.02.2024	NA	NA
Scenario 1		Dues of 01.02.2024 fully paid off, Due for 01.03.2024 is not fully paid at EOD 01.03.2024	1	SMA-0	01.03.2024	NA	NA
Scenario 2		No payment of full dues of 01.02.2024 and 01.03.2024 at EOD 03.03.2024	31	SMA-1	01.02.2024/ 03.03.2024	NA	NA
01.04.2024		No payment of dues of 01.02.2024, 01.03.2024 and there is an amount due on 01.04.2024 at EOD 01.04.2024	60	SMA 1	01.02.2024/ 03.03.2024	NA	NA
		No payment of dues of 01.02.2024 till 01.04.2024 at EOD 02.04.2024	61	SMA 2	01.02.2024/ 02.04.2024	NA	NA
01.05.2024		No payment of dues of 01.02.2024 till 01.05.2024 at EOD 01.05.2024	90	SMA 2	01.02.2024/ 02.04.2024	NA	NA
		No payment of dues of 01.02.2024 till 01.05.2024 at EOD 02.05.2024	91	NPA	NA	NPA	02.05.2024
01.06.2024	01.06.2024	Fully Paid dues of 01.02.2024 at EOD 01.05.2024 Dues of 01.03.2024 is pending	93	NPA	NA	NPA	02.05.2024
01.07.2024	01.07.2024	Paid entire dues of 01.03.2024 and 01.04.2024 at EOD 01.07.2024	62	NPA	NA	NPA	02.05.2024
01.08.2024	01.08.2024	Paid entire dues of 01.05.2024 & 01.06.2024 at EOD 01.08.2024	32	NPA	NA	NPA	02.05.2024
01.09.2024	01.09.2024	Paid entire dues of 01.07.2024 & 01.08.2024 at EOD 01.09.2024	1	NPA	NA	NPA	02.05.2024
01.10.2024	01.10.2024	Paid entire dues of 01.09.2024 & 01.10.2024	0	Standard Account with No Overdues	NA	NA	STD from 01.10.2024

Please note that that the aforesaid few examples are illustrative and not exhaustive in nature covering common scenarios and that the IRACP norms and clarifications provided by RBI on the subjects referred above shall prevail.

Should you require any clarifications or assistance, please reach us at our Phone numbers or contact your Relationship/Branch Manager for further details.
