**Consumer Education Literature pursuant to Circular named 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications' on November 12, 2021.**

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| **Background** | • RBI released a Circular named 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications' on November 12, 2021 ('Circular 1'), and subsequent clarifications issued vide circular dated February 15, 2022 ('Circular 2').<br><br>• Necessary amendments pursuant to the Circular 1 have been made to the new Retail Finance Agreement.<br><br>• Company is required to place consumer education literature on the website for explaining concepts including date of overdue, SMA and NPA classification and upgradation etc. |
| **Few important provisions** | |
| a) Classification into SMA (Refer to the categories below in Table I) | • If the Borrower defaults in repayment of the loan resulting in any Overdue Amount up to 90 days, the Company shall recognize the incipient stress in the Borrower's account and classify them as Special Mention Accounts (SMA) in line with Prudential Framework for Resolution of Stressed Assets. |
| b) Classification as NPA (Refer to the categories below in Table I) | • In case if the overdue days exceed 90 days, the borrower loan account shall be categorized as Non-Performing Asset (NPA). |
| c) Upgradation | • Loan accounts classified as NPA to be upgraded as 'Standard' upon payment of entire arrears of interest and principal.*<br><br>• In case of more than 1 credit facility, the borrower shall be upgraded as 'Standard' upon payment of entire arrears of interest and principal for all such credit facilities.*<br><br>*Effective from 1st October 2022 as per Circular 2. |
| d) Day end process - Flagging and classification of loan account as overdue (Refer to the example given in Table II) | • Borrower account will be **flagged** as overdue as part of the day-end process for the due date.<br><br>• **Classification** of borrower accounts as SMA as well as NPA will 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, irrespective of the time of running such processes. |

| | • The date of SMA / NPA shall reflect the asset classification status of an account at the day-end of that calendar date. |
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**Table I. - Categories**

| Category | Sub-Category | Days Past Due |
|---|---|---|
| Standard | SMA - 0 | 1 - 30 days (basis the incipient stress detected by the Company) |
| | SMA - 1 | 31 days - 60 days |
| | SMA - 2 | 61 days - 90 days |
| Sub-standard / NPA | - | More than 90 days |

**Table II. - Example**

*Borrower named Mr. X has a loan of INR 10 Lacs with the Company for which one EMI is falling due on 31.03.2021.*

| Facts | Impact (day end) |
|---|---|
| Due date of one of the EMI – 31.03.2021 Full dues not received before end of 31.03.2021 | Overdue date: 31.03.2021 |
| Overdue continues till 30 days | Account to be tagged and classified as SMA-1: 30.04.2021 |
| Account continues to remain overdue | Account to be tagged and classified as SMA-2: 30.05.2021 |
| Account continues to remain overdue further | Account to be tagged and classified as NPA: 29.06.2021 |