

Customer Education Literature - Asset Classification Concepts

Pursuant to Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as amended from time to time) ('Scale Based Regulations'), the Reserve Bank of India has clarified certain aspects of overdue dates and classification of accounts overdue as Special Mention Account (SMA) / Non-Performing Assets (NPAs) as mentioned below:

Due Date/Repayment Date: -

It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement.

Overdue (Default) Accounts: -

An account shall be in default when principal including arrears of interest and any other amount due is not paid in full as seen on the respective due date mentioned in sanction terms/loan agreement, such account shall be specified as overdue loan account. The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

Example: If the due date of a loan account is March 31, 2024, and full dues are not received before the Company runs the day-end process - for this date, the date of overdue shall be March 31, 2024.

Days Past Due (DPD): -

Means Number of Days the account is overdue.

Classification as Special Mention Account (SMA): -

The Company shall recognise incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). The basis for classification of SMA categories shall be as follows: -

SMA and NPA Classification 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



Classification as Non-Performing Asset (NPA): -

The loan account shall be classified as Non-Performing Asset (NPA) when Principal or interest payment or any other amount remains overdue for a period of more than 90 days.

The examples of Special Mention Account (SMA) and Non-Performing Asset (NPA) classification mentioned below are illustrative and not exhaustive in nature and relate to general scenarios: -

Example: -

Example: If the due date of a loan account is March 31, 2024, and full dues are not received before the day-end process for this date, the date of overdue shall be March 31, 2024 and will be classified as SMA-0. If the loan account continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on April 30, 2024, 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, 2024. Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2024 and if it continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2024.

The instructions on SMA or NPA classification of Borrower accounts are applicable to all type loans, irrespective of size of exposure.

Upgradation of Accounts classified as Non-Performing Asset (NPA): -

The loan account classified as NPA can be upgraded as "Standard" only if the entire arrears of interest, principal and any other amount due are paid in full and there is NIL arrears upon running day end process of that calendar date.

Should anyone require any clarifications or assistance, please reach us at: -

- Email: assistance@eclf.com
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- Call Timing – Monday to Friday (10 a.m. to 5 p.m. IST)

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