

## Consumer Awareness

(Understanding the concepts of Overdue, SMA, NPA for your loan account)

**Paying your instalments on time helps you build your Credit Score. A high Credit Score may Help you getting higher loan value with lower interest rates.**

The below Illustration shall cover the concepts of date of overdue, classification as Special Mention Account (“SMA”) and Non-Performing Asset (NPA), upgradation of loan account etc.

### Illustration

Due Date	Date of Overdue	Basis for classification	Account Classification
		Principal or interest payment or any other amount wholly or partly overdue	SMA Sub—categories
5 <sup>th</sup> March ‘2022	5 <sup>th</sup> March ‘2022	Up to 30 days	SMA-0
5 <sup>th</sup> April ‘2022	4 <sup>th</sup> April ‘2022	31—60 days	SMA—I
5 <sup>th</sup> May ‘2022	4 <sup>th</sup> May ‘2022	61-90 days	SMA-2
5 <sup>th</sup> June ‘2022	3 <sup>rd</sup> June ‘2022	More than 90 days	NPA

\* **Due Date:** The date as specified in the Amortization Chart on which the instalment is due to be paid.

\*\* **Overdue:** Instalment due but not paid on its due date specified by the Lender, before the Lender runs the day-end process (the accounts are closed for the day) for that day.

### Explanation:

If the due date is **5<sup>th</sup> March ‘2022**, and the instalment is not received in full before the day-end process is run, the date of overdue shall be **5<sup>th</sup> March ‘2022**.

If the account continues to remain overdue, then this account shall get tagged as **SMA-1** upon running day-end process on **04<sup>th</sup> April ‘2022** i.e., upon completion of 30 days of being continuously in overdue. Accordingly, the **date of SMA-1** classification for that account shall be **4<sup>th</sup> April ‘2022**.

Similarly, if the account continues to remain overdue, it shall get tagged as **SMA-2** upon running the day-end process on **04<sup>th</sup> May ‘2022**; and

If the account continues to remain overdue further, it shall get classified as **NPA** upon running day—end process on **03<sup>rd</sup> June ‘2022**.

If the instalments of **March, 2022 & April, 2022** are collectively repaid post **3<sup>rd</sup> June, 2022**, then also the account shall continue to be **reported as NPA**.

If all the unpaid instalments (in the above example from **March, 2022** till actual realization) are fully paid, then only the account will be **upgraded / regularized as standard asset** and shall **not be reported as NPA**.

The Loan account shall be automatically reported as **NPA** on the day end of the **90<sup>th</sup> day of its remaining as Overdue**.

The loan account shall remain in **NPA** status till **all unpaid instalments are repaid**.

Please note in case of **partial payments** towards the Loan account **will not change the status of the loan from NPA to Standard**.

Reference: As per **RBI circular dated 12<sup>th</sup> November 2021 on Prudential’ Norms on Income Recognition Asset Classification and Provisioning pertaining to Advances - Clarifications (RBI/2021-2022/125 DOR.STR’**. REC.68/21.04.O48/2021-221.

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