



Navi Finserv Limited

(Formerly known as Navi Finserv Private Limited)

CONSUMER EDUCATION LITERATURE

Pursuant to Chapter – V - Prudential Regulations of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“**Directions**”) the Reserve Bank of India (“**RBI**”) has clarified certain aspects of Overdue dates and SMA/NPA classification dates etc., as mentioned below, with a view to ensure uniformity in the implementation of IRACP norms across all lending institutions.

Below is the detailed writeup on the date of overdue, SMA and NPA classification and upgradation of NPA and day-end process for calculation of the same.

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 the sanction terms/loan agreement.

OVERDUE AND DATE OF OVERDUE

An account shall be in default when the 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 an 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

CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA) AND NON-PERFORMING ASSET (NPA)

An overdue loan account shall be classified as SMA (Special Mention Account) or NPA (Non-Performing Asset) as per RBI regulations as notified vide circular dated November 12, 2021 and February 15, 2022.

Classification as Special Mention Account

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

Loans other than revolving facilities	
SMA Subcategories	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

Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run.

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A NPA is a loan where interest and/or instalment of principal remains overdue for a period of 90 days or more in respect of a loan.

The examples of SMA and NPA classification mentioned below are illustrative and not exhaustive in nature and relate to general scenarios.

Illustration:

Illustration for classification of borrowers account as SMA/NPA for easy reference (All dates mentioned herein are for illustration purpose only)- If due date of a loan account repayment is April 05, 202X and the payment is not received by the Company before the day-end process is run, then indicative SMA/NPA classification shall be as follows:

Monthly Due Date	Payment Status	Days Overdue	SMA/ NPA Classification Date#	SMA/ NPA Classification Date#
<u>April 05, 202X</u>	<i>Amount due on 05-Apr-202X not paid in Full</i>	<i>Up to 30 days</i>	<i>April 05, 202X</i>	<i>SMA-0</i>
	<i>Amount due on 05-Apr-202X still not paid in full and the subsequent due amount also not paid</i>	<i>From 31 Days to 60 days</i>	<i>May 05, 202X</i>	<i>SMA-1</i>
	<i>Amount due on 05-Apr-202X still not paid in full and the subsequent due amount also not paid</i>	<i>From 61 days to 90 days</i>	<i>June 04, 202X</i>	<i>SMA-2</i>
	<i>Amount due on 05-Apr-202X still not paid in full and the subsequent due amount also not paid</i>	<i>91 days or more</i>	<i>July 04, 202X</i>	<i>NPA</i>

The date of SMA/ NPA shall reflect the Asset Classification status of a loan account at the day-end of that calendar date

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.

For detailed guidelines on asset classification and provisioning, please refer to the RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.

IMPACT OF SMA CLASSIFICATION ON CIBIL/ CREDIT REPORT

Any delinquency in the loan account as mentioned above is reported to Credit Information Companies and the credit score of the customer shall get impacted adversely.
