

Customer Education on Special Mention Accounts (“SMA”)

In compliance with the Reserve Bank of India (“RBI”) **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** as amended from time to time and to ensure the customers are aware of the due date of the repayment and the classification of their loan account in the event of default in payment of overdue, the concept of “*Special Mention Accounts (SMA)*” are explained as under.

Special Mention Account (SMA) :

The borrower loan account shall be downgraded to SMA classification as provided below, if he/she fails to pay any EMI by the “Due Date” or the outstanding dues or any other amount wholly or partly overdue. The classification of SMA is done at the borrower level which means all the loan accounts of the borrower will be classified as applicable for the loan with highest overdue days.

Basis for classification of loans :

The Company shall flag an account as SMA if customer fails to pay any EMI by the “Due Date” or the outstanding dues or any other amount wholly or partly overdue at the time of running day-end process, in the manner provided below.

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue.
SMA-0	Upto 30 days.
SMA-1	More than 30 days and upto 60 days.
SMA-2	More than 60 days and upto 180 days.

Example :

If due date of a loan account is March 31, 2023, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2023. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process till April 30, 2023, i.e. till completion of 30 days of being continuously overdue. Accordingly, the date of SMA-0 classification for that account shall be March 31, 2023, and SMA-1 with effect from April 30, 2023. Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day end process on May 30, 2023, and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2023.

Below table outlines the sequence of classifications of unpaid loan fallen due on March 31, 2023.

Event	Date	Classification Date	Classification
Date on which Account became Overdue/SMA - 0	March 31, 2023	March 31, 2023	SMA-0
SMA-1 Classification.	Until May 30, 2023	April 30, 2023	SMA – 1
SMA-2 Classification Date.	Until June 29, 2023	May 30, 2023	SMA – 2
NPA Classification Date.	June 29, 2023	June 29, 2023	NPA

Impact on the credit score :

With the classification of loan accounts with SMA being reported to the credit information companies by the lending institution, the credit score of the borrower and guarantor, if any, shall get adversely impacted.



Upgradation of NPA accounts to Standard Accounts :

SMA/ NPA shall only be upgraded to standard account if payment of **all past and current arrears** of interest and principal (EMI)/and or any other amount overdue is made by the borrower at the time of running the day-end activity of that particular date.

In the light of the above, the company advises all its customers to pay the installments and other amounts due, if any, on or before due dates without any delay or default to avoid classification of their accounts as SMA or NPA.