



Consumer Awareness/ Education Document pursuant to prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications issued via Reserve Bank of India Circular No. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021 (“IRACP Norms”)

Vivriti Capital Private Limited (the ‘Company’ or ‘Vivriti Capital’) is registered with RBI as a non-deposit-taking, non-banking financial company (‘NBFC’). The Company takes an approach of lending as well as entering into debt arrangements to meet the debt requirement of its clients. In this approach, Vivriti Capital takes exposure to its clients via on balance sheet or off-balance sheet transactions and also raises funds for the same set of clients from varied market participants – Banks, Mutual Funds etc.

With a view to increase awareness among the borrowers, placed herewith is the consumer awareness/ education document, explaining with examples, the concepts of date of overdue, Special Mention Account (“SMA”) and Non-Performing Asset (“NPA”) classification and upgradation, with specific reference to day-end process.

Q: Why is it important to read this?

In terms of the IRACP Norms, NBFCs are required to educate their customers and maintain transparency on the concepts of date of overdue, SMA and NPA classification & upgradation. Accordingly, the same is clarified herein.

The examples quoted herein are illustrative and not exhaustive in nature and relate to general scenarios. The IRACP Norms and clarifications issued by RBI, from time to time, will prevail for implementation.

Q: What is considered to be overdue amount?

As per the IRACP Norms, an amount shall be treated as overdue if it is not paid on the due date fixed.

Q: How is Special Mention Account (“SMA”)/ Non-Performing Asset (“NPA”) Classification and Upgradation done?

A. Special Mention Account (“SMA”)/ Non-Performing Asset (“NPA”) Classification:

In terms of RBI Circular bearing reference number DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 on Prudential Framework for Resolution of Stressed Assets, lenders are required to recognize incipient stress in borrower’s account, immediately on default, by classifying them as SMA account. The IRACP Norms clarify that the intervals are intended to be continuous and accordingly the basis for classification of SMA categories provided therein shall be as follows:

<u>Loans other than revolving facilities</u>		<u>Loans in the nature of revolving facilities like cash credit/overdraft</u>	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Upto 30 days	-	-
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days

SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days
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Illustration with respect to SMA/ NPA Classification:

- (i) If the repayment date with respect to the loan falls on March 31st, and the relevant outstanding amount payable on such date is not received in full on such repayment date, before the Lender runs the day-end process with respect to classification of their borrower accounts for the repayment date, the date of overdue shall be March 31st.
- (ii) In the event, the Loan continues to remain overdue, then the loan account shall be tagged as SMA-1 upon running day-end process on the 30th day from March 31st i.e. upon completion of 30 days of the Loan being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be 30th April.
- (iii) Similarly, if the Loan continues to remain overdue after it being classified as SMA-1, it shall be tagged as SMA-2 upon running day-end process on the 60th day from March 31st i.e. on 30th May.
- (iv) In the event of the Loan continuing to remain overdue further, it shall be classified as NPA upon running day-end process on the 90th day from March 31st i.e. on 29th June.

B. When does an account classified as ‘NPA’ get upgraded to ‘Standard Asset’?

In terms of the IRACP Norms, loan account classified as ‘NPA’ may be upgraded as ‘Standard Asset’ only if the entire arrears of interest and principal are paid by the Borrower.

For example:

Mr. A has availed a Personal Loan from financial institution and failed to pay interest & principal for 2 EMIs for a continuous period of 90 days or more. In this case, his account will be marked as ‘NPA’ due to arrears of interest & principal with respect to 2 EMIs. To upgrade his account from

'NPA' to 'Standard Asset', he should repay both the overdue EMIs in full i.e., repayment of interest and principal, both.

With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations, etc., the instructions as specified for such cases shall continue to be applicable.

Further, in case of borrowers, having more than one credit facility from the Company, loan accounts shall be upgraded from 'NPA' to 'Standard Asset' category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

For example:

Mr. A has availed the following credit facilities from a financial institution: a) Term Loan; b) Personal Loan; c) Home Loan; d) Auto Loan; and has repaid all EMIs regularly except for Auto loan EMIs, then the borrower account as a whole, shall be classified as NPA, if outstanding dues exist for 90 days or more. To upgrade it to 'standard asset', arrears of interest and principal shall be paid in full for Auto Loan.

Q. Whom can you contact in case of queries or further assistance in this regard?

For any queries/ grievances, you could contact on the email id/ phone number given on the website of VCPL which could be accessed via the following link:
<https://www.vivriticapital.com/contactus.html>.