

**CONSUMER EDUCATION LITERATURE: CONCEPTS OF DATE OF OVERDUE, SMA AND NPA CLASSIFICATION AND UPGRADATION**

Dear Customer,

This communication is to increase the awareness of our customers on the concepts of date of overdue, SMA and NPA classification and up gradation, with specific reference to day-end process in line with the RBI Regulations. Please note that failure of a borrower to pay the instalments/other amounts, if any, on or before the due dates leads to the classification of loan account as Special Mention Account (SMA) or Non-Performing Asset (NPA). It is also pertinent to note that on occurrence of such default, Barota Finance Company Limited (Company) is contractually entitled to enforce the security created by you. The classification of SMA or NPA is done at the borrower level which means all the loan accounts of a borrower will be classified as applicable for the loan with highest overdue days.

**Basis for classification of loans:** For better understanding, the basis for classification of a loan account as SMA and NPA and an example for the same are mentioned herein below:

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*

Classification of loan account as SMA or NPA is done as part of the day-end process of the Company for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run by the Company,

**Example for SMA/NPA classification:** If a due date of loan account is March 31, 2022, 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, 2022. If the loan account continues to remain overdue, then the loan account shall get tagged as SMA-1 upon running the day-end process on April 30, 2022 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for the loan account shall be April 30, 2022.

Similarly, if the loan account continues to remain overdue, it shall get tagged as SMA- 2 upon running day-end process on May 30, 2022 and if it continues to remain overdue further it shall get classified as NPA upon running day-end process on September 27, 2022.

**As per the RBI notification dated 12.11.2021, a loan account classified as NPA will be upgraded as standard asset only if the entire outstanding arrears of principal, interest and/or other amounts due and payable therein are paid by you in full (here the expression “standard asset” means and refers to a loan account which is not required to be classified as SMA or NPA.)**

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

\*the references to 180 days may be read as per the applicable norms and subject to the provisions of the [circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021](#) on ‘Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs’.

NPA Norms	Timeline
By March 31, 2024	>150 days overdue
By March 31, 2025	>120 days overdue
By March 31, 2026	> 90 days