



Borrower Education – Classification of Borrower Accounts as SMA/NPA

As per the circular issued by Reserve Bank of India from time to time on “Prudential Framework for Resolution of Stressed Assets” requires the Lender to recognize incipient stress in Borrower/Guarantor’s accounts. Accordingly, on default in making servicing of interest / monthly installment of the principal by the borrower/guarantor, the lender will classify the accounts as Special Mention Account (SMA 1&2) and NPA.

Please note that failure of a borrower to pay the instalments/other amounts due, if any, on or before the due date 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 commission of such default, Ganpati Finlease Private Limited (GFPL) is contractually entitled to enforce the security created by borrower. The classification of SMA or NPA is done at borrower level which means that all the loan accounts of a borrower will be classified as applicable for the loan with highest overdue days.

Dues: means, the principal / interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

Overdue: means, the principal / interest/ any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the credit facility in other words, any amount due to the Lender under any credit facility is 'overdue' if it is not paid on due date fixed by the Lender.

Basis for classification of Loans:

The basis for classification of loan accounts, as SMA & NPA are mentioned below:

Classification Categories Basis for classification	Principal or interest payment or any other amount wholly or partially 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
NPA	More than 90 days

The Borrower/Guarantor’s accounts will be flagged as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of Borrower/Guarantor’s accounts as SMA as well as NPA will be done as part of day-end process for the relevant date and the SMA or NPA classification date will be the calendar date for which the day end process is run. In other words, the date of SMA or NPA will reflect the asset classification status of an account at the day end of that calendar date as per RBI norms as applicable for NBFC.

Example of SMA/ NPA classification-

If the due date of the loan account is 31st March 2025, and full dues are not received before the day-end process for this date, then date of overdue shall be 31st March 2025. If the overdue continues, then the loan account shall be tagged as SMA-1 on running day end process of 30th April’2025 (i.e. upon completion of 30

days from due date). If the loan account continues to remain overdue, it shall be tagged as SMA-2 upon running day end process on 30th May 2025 (i.e. upon completion of 60 days from due date). If the loan account continues to be overdue, it shall be tagged as NPA upon running day end process on 29th June 2025 (i.e. upon completion of 90 days from due date).

Upgradation of Account classified as NPA:

Further, the Loan/ Borrower(s) classified as NPA shall be upgraded as Standard Asset only if entire arrears of principal and interest are paid. This clause shall be subject to the regulatory directions/ guidelines issued by the RBI from time to time.

Impact on Credit Score:

As the classification of loan accounts as SMA/NPA is being reported to the bureaus i.e. CIBIL, Experian, Equifax, CRIF Highmark, etc., the same shall affect the credit score of the borrower/guarantor.