

Consumer Awareness Literature

REC Limited (“**the Company**” or “**NBFC**”) in compliance with RBI’s Clarification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated November 12, 2021 (“**RBI IRACP Norms Clarifications**”) as amended from time to time and/or as required/directed by RBI, shall classify and notify facility as overdue, SMA/NPA. Further upgradation of such accounts shall also be guided by the aforementioned clarification. Below is the manner in which such classification and upgradation will be undertaken by the Company.

Date of overdue:

Account will be flagged as an **overdue account if as on running day-end processes** (irrespective of time of running such process), entire dues are not received.

Example for date of overdue: If **due date** of a loan account is **March 31, 2022**, and entire dues are not received before the Company runs the day-end process for this date, the **date of overdue** shall be **March 31, 2022**.

Special Mention Account (SMA) classification:

The Company will flag an account as **SMA / NPA** if the default subsists (as per timeline prescribed) at time of running **its day-end process**.

The classification parameter as provided in RBI IRACP Norm Clarifications are as follows:

Loans / Facilities	
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 90 days

Example:

SMA-1 Classification:

In continuation of above example, if the account remains overdue upon running **April 30, 2022** day-end process it will be classified as **SMA-1**

SMA -2 Classification:

Similarly, if the above account remains overdue upon running **May 30, 2022** day-end process it will be classified as **SMA -2**.

Non-Performing Asset (NPA) classification:

Aforementioned account if remains overdue upon running **June 29, 2022** day-end process it will be classified as NPA also known as Credit Impaired Asset since the company follows IND AS norms as per Companies Act, 2013.

Upgradation of accounts classified as NPAs

Once an account is classified as NPA, it shall **only be upgraded** as standard asset (SMA-0/ SMA-1/ SMA-2) upon payment of **entire** arrears of interest and principal by the borrower at the time of running the day-end activity of that particular date.

Existing instructions as specified for accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc. shall continue to be applicable.

Case study:

Sr. No	Day end process	Particular	Remarks
1.	30 Jun, 2022	Non-payment of entire dues at the time running day-end process.	Date of overdue
2.	30 Jul, 2022	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-1
3.	29 Aug, 2022	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-2
4.	28 Sep, 2022	Non-payment subsists at the time of running day-end process.	Account to be classified as NPA

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Account classified as NPA shall only be upgraded to standard once the all-previous dues including interest and payment are received by the Company.

Detailed Examples with Nil/Partial payment at different interval is tabulated below:

1. All dues paid

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	2500	0	0	Regular	No Overdue

2. No dues paid

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	0	2500	1	Regular	Overdue
15-07-2022	1000	0	3500	16	SMA-0	Overdue Jun 2022
30-07-2022	0	0	3500	31	SMA-1	Overdue Jun 2022
31-07-2022	1500	0	5000	32	SMA-1	Overdue Jun 2022
29-08-2022	0	0	5000	61	SMA-2	Overdue Jun 2022
31-08-2022	1600	0	6600	63	SMA-2	Overdue Jun 2022
28-09-2022	0	0	6600	91	NPA	Overdue Jun 2022

3. Partial Dues Paid :

(a) Part of one installment paid :

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	0	2500	1	Regular	Overdue
15-07-2022	1000	0	3500	16	SMA-0	Overdue Jun 2022
30-07-2022	0	1200	2300	31	SMA-1	Overdue Jun 2022 (Rs. 1300)
31-07-2022	1500	0	3800	32	SMA-1	Overdue Jun 2022 (Rs. 1300)
29-08-2022	0	0	3800	61	SMA-2	Overdue Jun 2022(Rs. 1300)
31-08-2022	1600	1000	4400	63	SMA-2	Overdue Jun 2022 (Rs. 300)
28-09-2022	0	0	4400	91	NPA [#]	Overdue Jun 2022 (Rs. 300)

Since Rs 300 out of June dues remained unpaid till 90 days, account became NPA.

(b) One full installment paid:

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	0	2500	1	Regular	Overdue
15-07-2022	1000	0	3500	16	SMA-0	Overdue Jun 2022
30-07-2022	0	2500	1000	16	SMA-0	Overdue 15-07-2022
31-07-2022	1500	0	2500	17	SMA-0	Overdue 15-07-2022
14-08-2022	0	0	2500	31	SMA-1	Overdue 15-07-2022
31-08-2022	1600	1000	3100	48	SMA-1	Overdue 15-07-2022
13-09-2022	0	0	3100	61	SMA-2	Overdue 15-07-2022
30-09-2022	2500	0	5600	78	SMA-2	Overdue 15-07-2022
13-10-2022	0	0	5600	91	NPA	Overdue 15-07-2022

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4. Partial Dues Paid (after NPA):

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	0	2500	1	Regular	Overdue
15-07-2022	1000	0	3500	16	SMA-0	Overdue Jun 2022
30-07-2022	0	1200	2300	31	SMA-1	Overdue Jun 2022 (Rs. 1300)
31-07-2022	1500	0	3800	32	SMA-1	Overdue Jun 2022 (Rs. 1300)
29-08-2022	0	0	3800	61	SMA-2	Overdue Jun 2022 (Rs. 1300)
31-08-2022	1600	1000	4400	63	SMA-2	Overdue Jun 2022 (Rs. 300)
28-09-2022	0	0	4400	91	NPA	Overdue Jun 2022 (Rs. 300)
29-09-2022	0	2800	1600	29	NPA	All dues not cleared

5. Entire Dues Paid (after NPA)

Date	Amount Due	Amount Paid	Balance Due	Days Past Due	Status	Remarks
30-06-2022	2500	0	2500	1	Regular	Overdue
15-07-2022	1000	0	3500	16	SMA-0	Overdue Jun 2022
30-07-2022	0	1200	2300	31	SMA-1	Overdue Jun 2022 (Rs. 1300)
31-07-2022	1500	0	3800	32	SMA-1	Overdue Jun 2022 (Rs. 1300)
29-08-2022	0	0	3800	61	SMA-2	Overdue Jun 2022 (Rs. 1300)
31-08-2022	1600	1000	4400	63	SMA-2	Overdue Jun 2022 (Rs. 300)
28-09-2022	0	0	4400	91	NPA	Overdue Jun 2022 (Rs. 300)
29-09-2022	0	4400	0	0	Regular	All dues cleared

The above examples are illustrative only covering common scenarios and not exhaustive and subject to change based on the RBI guidelines. The asset classification of the borrowers would be determined based on the prevailing RBI guidelines including Master Circular issued by RBI on income recognition, asset classification and provisioning pertaining to advances.

For detailed guidelines in asset classification and provisioning, please refer to RBI's Master Circular - Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 and Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.