Choice

Choice Finserv Private Limited

Customer Awareness - Regarding Classification of Loan Account as SMA and NPA

Choice Finserv Private Limited ("The Company") in compliance to RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' dated Nov. 12, 2021 (as amended from time to time) shall classify accounts as overdue, SMA, NPA and upgrade such accounts in below mentioned manner: -

Date of Overdue

Account will be flagged as an overdue account if as on running day-end processes of due date (irrespective of time of running such process), no payment has been received. Due date is the date as specified in the repayment schedule on which the instalment is due to be paid.

For e.g. If due date of a loan account is April 5, 2022, and due amount is not received before the Company runs the day-end process for this date, then date of overdue shall be April 5, 2022.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

The Company will flag an account as SMA or NPA if the default subsists (as per timeline prescribed below) at time of running its day-end process. The classification parameter as provided in above mentioned circular are as follows:

Loans other than revolving 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
NPA	More than 90 days

Accordingly, if amount is not received before running day-end process of due date, an account will be classified as SMA/NPA at the day-end of that due date. An illustration of such classification for loans other than revolving facilities is given below:

Classification as:	**Scenario I**	**Scenario II**
Original Due Date	5 April 2022	31 March 2022
SMA-0 / Date of overdue	5 April 2022 end of day	31 March 2022 end of day
SMA-1	5 May 2022 end of day	30 April 2022 end of day
SMA-2	4 June 2022 end of day	30 May 2022 end of day
NPA	4 July 2022 end of day	29 June 2022 end of day

Upgradation of accounts classified as NPAs

Once account is classified as NPA, it shall only be upgraded as standard asset upon payment of entire arrears of interest and principal by the borrower at the time of running the day-end process of the payment date. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

For e.g. If account is classified as NPA on 4 July 2022 and customer pays entire arrears of interest and principal on 15 July 2022, then account will be upgraded to standard asset at the time of running the day-end process of 15 July 2022.

NPA Classification is based on borrower wise and not facility wise –All the facilities granted by company to a borrower will have be treated as NPA and not the particular facility or part thereof which has become irregular.

Example: It is further explained as below mention table:

Customer	Facility Name	Date	NPA Reason
A	Loan 1	04-July-22	NPA Classified as per above Example
A	Loan 2	04-July-22	NPA Classified Due to Customer A's Loan 1 is classified NPA

In case of borrowers having more than one credit facility, 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.