

Gujarat State Financial Services Ltd.

Customer Education Literature Document

Issued in reference to RBI Circular dated 12th November 2021 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications [RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22].

Gujarat State Financial Services Ltd. (GSFS) is a Government of Gujarat undertaking and is registered with the Reserve Bank of India as a Non–Deposit taking, Systematically Important Non-Banking Financial Company (NBFC-ND-SI). It has been given the mandate by the State Government to manage the surplus funds of various Government of Gujarat controlled organizations and PSUs of the State.

The funds received by GSFS from the Government entities are provided to the other state-owned entities, which are in need of funds, at a lower rate as compared to the other banks.

Understanding the concepts of Overdue, SMA, NPA Classification and Upgradation of Loan Account:

With a view to increase awareness among the borrowers, the concepts of date of Overdue, Special Mention Account (“SMA”) and Non-Performing Asset (“NPA”) classification and Upgradation of Loan account, with specific reference to day-end process are placed herewith alongwith Illustration.

1) Overdue:

Any amount due to the lender under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the lender.

2) Special Mention Account (SMA):

As per the RBI’s Prudential Framework for Resolution of Stressed Assets lenders are required to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA).

3) Non-Performing Asset (NPA):

In respect of any borrower’s account which becomes overdue for more than 90 days, shall be classified as NPA.

The below Illustration shall cover the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), upgradation of loan account etc.

Illustration

* Due Date	Date of ** Overdue	Basis for classification	Account Classification
		Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories
10 th March'2022	10 th March'2022	Upto 30 days	SMA-0
10 th April'2022	09 th April'2022	31-60 days	SMA-1
10 th May'2022	09 th May'2022	61-90 days	SMA-2
10 th June'2022	08th June'2022	More than 90 days	NPA

***Due Date:** *Due date is the date as specified in the EMI schedule on which the instalment is due to be paid by the borrower.*

**** Overdue:** *Instalment due but not paid on its due date specified by the Lender, before the Lender runs the day-end process (i.e. the accounts are closed for the day), irrespective of the time of running such processes.*

Explanation:

- i. If the due date is **10th March' 2022**, and the instalment is not received in full before the day-end process is run, the date of overdue shall be **10th March' 2022**.
- ii. If the account continues to remain overdue, then this account shall get tagged as **SMA-1** upon running day-end process on **09th April'2022** i.e., upon completion of 30 days of being continuously in overdue. Accordingly, the **date of SMA-1** classification for that account shall be **09th April'2022**.
- iii. Similarly, if the account continues to remain overdue, it shall get tagged as **SMA-2** upon running the day-end process on **9th May'2022**; and
- iv. If the account continues to remain overdue further, it shall get classified as **NPA** upon running day-end process on **08th June' 2022**.

- v. If the instalments of **March 2022 & April 2022** are collectively repaid after **8th June' 2022**, then also the account shall continue to be **reported as NPA**.
- vi. If all the unpaid instalments (in the above example from **March. 2022** till actual realization) are fully paid along with the other charges/arrears, then only the account will be **upgraded/regularized as standard asset** and shall **not be reported as NPA**.
- vii. The Loan account shall be automatically **reported as NPA** on the day end of the **90th day of its remaining as Overdue**.
- viii. The loan account shall remain in **NPA** status till **all unpaid instalments are repaid along with other charges / arrears**.
- ix. Please note in case of **partial payments** towards the Loan account **will not change the status of the loan from NPA to Standard**.