

PROVISIONING NORMS

MOST IMPORTANT

Sub – Information update regarding your loan/s with us.

Dear Customer,

Greetings from Neev Credit Limited

This is with reference to a circular issued by the Reserve Bank of India on 12th Nov/21 clarifying norms to be followed by all lending institutions with regards to classification of loans (advances) and reporting their status, amongst other topics. We request you to read through the subsequent paragraphs and make yourself familiar with the norms since it has far-reaching impact on your credit worthiness.

I) Due Date / Repayment Date, Default and Overdue

All loans availed by you from us have a specific date on which you need to make repayment towards the instalment due for that particular loan. This is called the 'due date' or the 'repayment date'. This date is clearly mentioned in the loan schedule of your agreement as well as the loan amortization schedule, which you have received from us on availing the loan/s. Failure to make payment on the due date is termed as 'default' and makes your account 'overdue'.

For example, if the due date for your loan is 15th of every month and you have not paid this instalment on 15th, your account will be flagged as overdue by 1 day. If you keep it unpaid till the 20th of the month, your account is overdue by 6 days and so on. Suppose you have not paid this instalment till the 10th of next month, your account is overdue by 25/26 days (depending upon the previous month being 30/31 calendar days.)

You must know that a default or keeping a loan overdue is viewed negatively by all lending institutions and restricts your ability to avail further loans, should you need it for your business or personal needs. Also, an overdue account is charged an overdue/penal interest at a higher rate for the no. of days it remains overdue, in addition to the bounce charges. Hence, we request you to make repayment of entire instalment/s along with overdue interest/bounce charges (if applicable), on or before the due date.

B) Classification of an account as Special Mention Account (SMA) & Non-Performing Account (NPA)

As per the norms, a lending institution is now required to classify all its overdue loans as either SMA or NPA depending upon the no. of days for which the instalment has remained overdue. Such classification will be done on the basis of status of the loan as on the due date and not on the month end date.

Please refer to the below table for the understanding of various sub-categories under SMA and the basis of classification under these categories.

Principal or interest or any other amount (overdue interest / bounce charges) remaining wholly or partly overdue	SMA sub-Categories
Between 1 to 30 days (both days inclusive)	SMA-0
Between 31 to 60 days (both days inclusive)	SMA-1
Between 61 to 90 days (both days inclusive)	SMA-2
91 days and above	NPA



Neev Credit Limited
(Formerly Neev Credit Pvt. Ltd.)

CIN : U65923WB1996PLC076763

For example, if the due date of your loan is 10th December, 2021 and you have failed to make a repayment on this date, your account will be classified as SMA-0 on the same date and shall be reported as such in December'21 month-end to the RBI, even if you make the payment of all dues anytime thereafter in December'21.

If you fail to make this payment along with all dues till 10th January, 2022 your account will be classified as SMA-1 in January'22 month-end. It will be classified as SMA-2 in February'22 month-end if it remains unpaid along with all dues till 10th Feb' 2022. And your account will be classified as NPA on 10th Mar'22, if you have not cleared your dues till this date. However, if you clear all your instalments on their respective due dates, your account will not be required to be classified under any SMA sub-category.

You must know that all lending institutions verify the repayment behaviour of a customer with the database of various credit bureaus, prior to sanctioning of loans. Customers having satisfactory repayment patterns and not having any of their loans classified as either SMA or NPA have a very high probability of getting their loans sanctioned quickly. Classification under the SMA category severely damages the credit rating of a customer thereby increasing their risk perception and making banks and finance companies averse to lending them for a very long time.

C) Upgradation / Reclassification of accounts categorized as NPAs

As explained in the previous paragraph, an account shall be classified as NPA if its instalment along with other dues, remains unpaid for a period of 91 calendar days and above.

As per the recent RBI clarification, the account shall be upgraded out of NPA / reclassified as non NPA only when the entire over dues of that account are paid. Till such time the account shall continue to remain classified as NPA. Please note that part payment of entire dues will not make the account eligible for any upgradation /reclassification.

For example, if an account has 5 instalments overdue and if the Customer pays only 1 instalment, then the account shall continue to be classified as NPA till the time all over dues including penal charges and bounce charges remain unpaid.

Please see the below table for a better understanding of how accounts are classified on the due date.

Due Date	EMI (Rs.)	Total Over dues (indicative) (Rs.)	Paid	Classification
10-Dec-2021	2,00,000	2,00,000	No	SMA-0
10-Jan-2022	2,00,000	4,15,000 (Previous EMI + penal interest + bounce charges)	No	SMA-1
10-Feb-2022	2,00,000	6,35,000 (Previous EMI's + penal interest + bounce charges)	No	SMA-2
10-Mar-2022	2,00,000	8,60,000 (Previous EMI's + penal interest + bounce charges)	No	NPA



The below table explains circumstances under which an account can be re-classified on payment.

Payment Date	EMI (Rs.)	Total Over dues (Rs.)	Amount Paid (Rs.)	New Classification on the due date	Explanation
10-Dec-2021	1,50,000	1,50,000	1,40,000	SMA - 0	Entire over dues not paid
10-Jan-2022	1,50,000	2,10,000	2,10,000	Current	Entire over dues paid
10-Feb-2022	1,50,000	2,65,000	1,50,000	SMA - 2	Partial over dues remain unpaid between 31-60 days
10-Mar-2022	1,50,000	3,30,000	2,50,000	NPA	All dues not paid

It is extremely important for you to note that as long as the account/s remain classified as NPA or SMA, your existing lender reserves the right to initiate all remedies including but not limited to legal proceedings under Sec 138 of Negotiable Instruments Act or initiating Arbitration, SARFAESI proceedings against you and other co-applicants of the loan to protect its interest. You must also know that no lending institution will consider financing you in the near future thus hampering the growth aspirations you may have for your business.

The clarifications have come into effect from 12th November 2021. We therefore urge you to thoroughly understand the above paragraphs and ensure to make repayments on the due dates / clear all the over dues immediately (if any) before your next due date to maintain an acceptable credit behaviour.

It is also important for you to know that if you have more than one loan account with us and any one account gets classified as NPA, all the other accounts get classified as NPA irrespective of them not being classified as NPA earlier and will remain in the same category till the entire over dues of all your loan accounts are paid. Hence it is necessary to ensure that you do not let any of your account to be categorized as NPA to avoid your entire exposure being so categorized.

In case you wish to peruse the entire circular, you may visit the RBI page on www.rbi.org.in and search for 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications' dated November 12, 2021 bearing reference number RBI/2021-2022/125/DOR.STR.REC.68/21.04.048/2021-22 under the Notifications section. You may also contact us through any of the below touchpoints for any clarifications.

- Call our Customer Helpline 70971 99134
- Email us at contactus@neevcredit.com

Thanking you and assuring you of our best services at all times.

