

CUSTOMER EDUCATION LITERATURE

PREAMBLE:

With a view to increasing awareness among the borrowers, the Reserve Bank of India, vide its circular No. RBI/DOR/ 2025-26/356 DOR.STR.REC.No.275/21.04.048/2025-26 dated November 28, 2025 advised all lending institutions including NBFC to place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. Accordingly, Riwaaz Investments Private Limited (“RIPL”) has framed a note on such concepts for the purpose giving clarity to its customers.

The examples quoted are illustrative and not exhaustive in nature and relate to general scenarios. The IRACP norms and clarifications issued by the RBI will prevail for implementation and may be amended from time to time by the RBI.

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

The NBFC would recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). In order to remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be 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

“Non-Performing Asset” or “NPA”

In accordance with the provisions of the RBI’s Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated November 28, 2025 a Non-Performing Asset (NPA) is a loan or an advance where:

1. Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan;
2. a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 90 days or on which interest amount remained overdue for a period of more than 90 days;
3. a demand or call loan, which remained overdue for a period of more than 90 days from the date of demand or call or on which interest amount remained overdue for a period of more than 90 days;

4. a bill which remains overdue for a period of more than 90 days;
5. the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 90 days;
6. any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 90 days;
7. the lease rental and hire purchase instalment, which has become overdue for a period of more than 90 days;
8. the balance outstanding under the credit facilities (including accrued interest) in respect of loans, advances and other credit facilities (including bills purchased and discounted), made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset

Sub-standard asset shall mean either of the following:

- (1) an asset which has been classified as non-performing asset for a period not exceeding 12 months;
- (2) an asset, where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

Doubtful asset shall mean (i) a term loan, or (ii) a lease asset, or (iii) a hire purchase asset, or (iv) any other asset, which remains a sub-standard asset for a period exceeding twelve months.

Change of Classification of Account Status

It is further clarified that borrower accounts shall be flagged as overdue by the RIPL as part of its day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

Example: If due date of a loan account is March 31, 2027, and full dues are not received before the RIPL runs the day-end process for this date, the date of overdue shall be March 31, 2027. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2027 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2027.

Similarly, if the account continues to remain overdue, it shall be tagged as SMA-2 upon running day-end process on May 30, 2027 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2027.

Upgradation of accounts classified as NPAs

The loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility from a RIPL, 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. 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.

NPA Classification at Borrower Level

In case of NPA, if a loan account of a borrower is classified as NPA, all other accounts of the same borrower/ co – borrower(s) are also classified as NPA, irrespective of overdue status in other accounts.

For detailed guidelines on asset classification and provisioning, please refer to the RBI’s Master Circular - Prudential Norms on IRACP pertaining to Advances dated November 28, 2025. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time

Example for NPA status

Loan facilities other than in the nature of CC/OD accounts:

Due date of payment	Payment date	Payment covers	Age of oldest dues in days	NPA Status
01-01-2027	01-01-2027	Entire dues up to 01-01-2027	0	
01-02-2027	01-02-2027	No payment or Part payment of dues of 01-02-2027	1	
01-03-2027		Dues of 01-02-2027 not fully paid and 01-03-2027 is also due at EOD 01-03-2027	29	
01-04-2027		Dues of 01-02-2027 not fully paid. 01-03-2027 and 01-04-2027 is also due at EOD 01-04-2027	60	
01-05-2027		No payment of dues of 01-02-2027 till 01-05-2027 at EOD 01-05-2027	90	

		At EOD 02-05-2027 – No payment of dues of 01-02-2027 till 01-05-2027	91	NPA
01-06-2027		No payment of dues of 01-02-2027 till 01-06-2027 at EOD 01-06-2027	121	NPA
01-07-2027	01-07-2022	Paid entire dues of 01-02-2027, 01-03-2027 & 01-04-2027 at EOD 01-07-2027	62	NPA
01-08-2027	01-08-2022	Paid entire dues till 01-08-2027 at EOD 01-08-2027	0	Standard account with no overdue