



BELSTAR MICROFINANCE LIMITED

CONSUMER EDUCATION LITERATURE



Dear Customers,

Consumer Education Literature as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 October 19, 2023 (updated time to time)

Belstar Microfinance Limited (BML) is NBFC -MFI registered with Reserve Bank of India will follow the above norms.

With a view to increase an awareness among the borrowers, RBI requires the NBFCs to frame Consumer Education Literature explaining with examples the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process

CONSUMER EDUCATION LITERATURE:

a. Overdue and date of overdue:

Any amount due to the Company under any credit facility shall be treated as overdue if it is not paid on the due date fixed by the Company. Borrower accounts shall be flagged as overdue by the Company as a part of the day- end process for the due date and date of overdue shall be calendar date for which the day-end process is run.

b. Classification as Special Mention Account (SMA):

- I. Classification of the borrower accounts as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the day-end process is run.
- II. The basis for classification of SMA categories shall be as follows:

Classification Categories	Basis for classification – Principal or interest payment or any other amount wholly or partially overdue
SMA -0 Up to 30 days	SMA -0 Up to 30 days
SMA – 1 More than 30 days and up to 60 days	SMA – 1 More than 30 days and up to 60 days
SMA – 2 More than 60 days and up to 90 days	SMA – 2 More than 60 days and up to 90 days
NPA More than 90 days	NPA More than 90 days

c. Classification as Non-Performing Asset (NPA):

Classification of the borrower accounts as NPA shall be done as part of day-end process for the relevant date and the NPA classification date shall be the calendar date for which the day-end process is run.

NPA means:

- I. an asset, in respect of which, interest has remained overdue for such period as may be prescribed by RBI from time to time;
- II. a term loan inclusive of unpaid interest, when the installment is overdue for such period as may be prescribed by RBI from time to time;
- III. a demand or call loan, which remained overdue for such period as may be prescribed by RBI from time to time;
- IV. a bill which remains overdue for such period as may be prescribed by RBI from time to time;
- V. 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 such period as may be prescribed by RBI from time to time;
- VI. any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for such period as may be prescribed by RBI from time to time;
- VII. the lease rental and hire purchase installment, which has become overdue for such period as may be prescribed by RBI from time to time; and
- VIII. in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes nonperforming asset.

Example:

If due date of a loan account is March 31, 2023, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue will be March 31, 2023. If it continues to remain overdue, then this account will get tagged as SMA-1 upon running day-end process on April 30, 2023 i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account will be April 30, 2023.

Similarly, if the account continues to remain overdue, it will get tagged as SMA-2 upon running day end process on May 30, 2023 and if continues to remain overdue further, it will get classified as NPA upon running day-end process on June 29, 2023.

The instructions on SMA or NPA classification of Borrower/Guarantor's accounts are applicable to all loans, including retail loans, irrespective of size of exposure

d. Upgradation of accounts classified as NPA:

- i. It is said that loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.
- ii. In case if the borrower is having more than one credit facilities, the loan account will be upgraded from NPA to standard category only when entire principal and interest outstanding amount pertaining to all credit facilities is paid by the borrower.

- iii. No delinquency should be present in any of the credit facilities availed by the borrower from the Company

e. Impact on the credit Score:

As the classification of loan accounts as SMA/NPA is getting reported to the credit information bureaus such as CIBIL, CRIF etc, the same will affect the credit score of the borrower/guarantor.

