



VIRUTCHAM MICROFINANCE LIMITED

(RBI COR. No N-07-00779 & CIN U65929TN2008PLC068502)

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VIRUTCHAM MICROFINANCE LIMITED

CONSUMER EDUCATION LITERATURE ON OVERDUE, SMA AND NPA CLASSIFICATION AND UPGRADATION

In order to educate the customers, we give the following write up on date of overdue, SMA and NPA classification and upgradation of NPA and day-end process for calculation of the same

A. Due Date / Repayment Date:

It is the date on which the principal / interest / any charges levied on a loan account are payable as mentioned in the sanction letter / loan agreement / loan repayment schedule.

B. Overdue date.

Any amount due to Virutcham Microfinance Limited (hereafter referred as “Company” / VML) under any credit facility shall be treated as overdue if it is not paid on the due date. Borrower accounts shall be flagged as overdue by VML as part of their day-end processes for the due date.

Example for Overdue date : If due date of loan account for making repayment is 30th April, 2024 and full dues are not received before the Company runs the day end process for this date, date of overdue shall be 30th April, 2024.

C. Day-end process.

Day-end process means the process undertaken by the Company for booking receipt of/ crediting an amount into the loan accounts of a borrower, post which the account of a borrower is closed for the day.

D. Relevance of the Principle of “First-in-First out” (FIFO) in appropriation of payments into the Borrower’s Account

The principle of FIFO accounting method is relevant to arrive at the number of days of overdue for determining the SMA/NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan amount needs to be cleared first. The FIFO method thus requires that what is the first must be paid by the borrower first.

E. Classification of Special Mention Account (SMA).

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. The basis for classification of SMA categories shall be as follows -

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 up to 60 days
SMA - 2	More than 60 days and up to 90 days

F. Classification of Non-Performing Asset (NPA).

A non-performing asset (NPA) is a loan or an advance where interest and / or installment of principal remain overdue after closure of day end process on 90th day from the due date. Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run.

Examples of Due Date, Overdue date and SMA and NPA Classification of Loan Account

Date of overdue with respect to the loan account shall be the due date itself and not due date + 1.

Example 1: In the instant case the due date of a loan account is assumed as 31/03/2023 and full dues are not received before the day end process for this date, the date of overdue shall be 31.03.2023. If it continues to remain overdue, then this account shall get tagged as SMA - 1 upon running day-end process on 30.04.2023, ie., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA - 1 classification for that account shall be 30.04.2023.

Similarly if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on 30.05.2023 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on 29.06.2023.

Example 2:

Monthly Due Date	Description	Number of days of overdue	Upon running day-end process on	Classification Assigned
05 th April, 2023	If the repayment is not made by the borrower as on the day-end of 05 th April, 2023, then the said loan account becomes overdue on 05 th April, 2023 (date of overdue) itself	Up to 30 days	05 th April, 2023	SMA-0 for the next30 days, if full dues are not paid
	Amount due on 05 th April, 2023 still not paid in full and the subsequent amount also not paid	More than 30 days and up to 60 days	05 th May, 2023	SMA-1 for the next30 days, if full dues are not paid
	Amount due on 05 th April, 2023 still not paid in full and the subsequent amount also not paid	More than 60 days and up to 90 days	04 th June, 2023	SMA-2 for the next 30 days, if full dues are not paid
	Amount due on 05 th April, 2023 still not paid in full and the subsequent amount also not paid	More than 90 days	04 th July, 2023	NPA

G. Upgradation of Accounts Classified as Non Performing Asset (NPA).

Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears Interest, Principal and any other amount due are paid in full and there is NIL arrears upon running day-end process of that calendar date.

The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.

H. Impact of SMA Classification On CIBIL/ Credit Report:

Any delinquency in the loan account as mentioned above is reported to Credit Information Companies and credit score of the customer shall get impacted adversely.
