

ASSET CLASSIFICATION CONCEPTS

The Reserve Bank of India (“RBI”) has issued the Prudential Norms on Income Recognition, Asset Classification and Provisioning (“IRAC Norms”) for a Housing Finance Company (“HFC”) under the Reserve Bank of India (Housing Finance Companies) Directions, 2025 read with Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025 (Master Directions) and the following concepts are explained:

Due Date – this is the date on which the borrower is required to make payment of his dues to the Lender. For the Borrower of GHFL, this date is the date on which mandate is presented to the Bank of borrower and is provided in Loan Agreement.

Overdue – In event, Borrower does not make payment on the due date, then the account is termed as overdue.

Days Past Due – Means the numbers of days, the account is overdue.

SMA – Means Special Mention Account and these are tracked basis the days an account is overdue with the aid of Days Past Due mode. There are three categories under SMA which is linked to Days Past Due. For instance, if Due date for a loan is 31st and if the first payment is not made on 31st March 2021, then following shall be classification:

Days Past Due (DPD)	Classification	Up to Date
Up to 30 days	SMA-0	31 st March 2021
More than 30 days and up to 60 days	SMA-1	30 th April 2021
More than 60 days and up to 90 days	SMA-2	30 th May 2021
More than 90 days	NPA	29 th June 2021

NPA – Means Non-Performing Assets and a term loan account is deemed NPA after it remains overdue for a period of 90 days. However, in certain events like fraud, erosion of security etc. an account which may be making regular payment can be classified as a Loss Asset. Further, information of account turning into NPA is given to credit information companies like CIBIL.

Upgradation of Asset – In event, a borrower does not make payment for 90 days and account is turned NPA, then it cannot be upgraded to standard category till the time complete overdue amount is repaid. Further, loan accounts classified as NPAs may be upgraded as standard only if entire arrears of interest and principal are paid by the borrower.

Day-End Process – Company has a day-end process which is an accounting process of closing the books for the day. If the money is not received on due date then the account will be classified as overdue and be declared as SMA / NPA on day-end.

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