

**KIRAN VYAPAR**  
LIMITED

**Consumer Education Literature**

Kiran Vyapar Limited ("KVL") in compliance with the Para G – "Consumer Education" of the RBI Circular No. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications, has put in place Consumer Education Literature for increasing awareness of among consumers w.r.t concepts of overdue, Special Mention Account ("SMA") and Non-Performing Assets ("NPA") classification and upgradation explaining with examples and day-end process.

**Concepts / clarifications / Illustrative examples on Due dates and specification of SMA / NPA classification dates**

**Dues:**

mean, the principal / interest / any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

**Overdue:**

mean, the principal / interest / any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the credit facility. In other words, any amount due to you under any credit facility is 'overdue' if it is not paid on the due date fixed by you.

**Relevance of the Principle of 'First In First Out' (FIFO) in appropriation of payments into the borrowal account:**

The Principle of FIFO i.e., 'First In, First Out' accounting method is relevant to arrive at the No. of days of overdue for determining the SMA / NPA status. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FIFO method thus requires that what is due first must be paid by the borrower first. For example;

if in any loan account as on 01.02.2022 there are no overdues and an amount of Rs.X is due for payment towards principal instalment/interest/charges, any payment being credited on or after 01.02.2022 in the loan account will be used to pay off the dues outstanding on 01.02.2022.

Assuming that nothing is paid / or there is partial payment (Rs Y) of dues during the month of February, the overdue as on 01.03.2022 will be Rs.X-Y.

Additionally, an amount of Rs .Z becomes due as on 01.03.2022, Now any payment / partial payment into the account on or after 01.03.2022 will be first utilized to pay off the partial due of 01.02.2022 (Rs X - Rs . Y) If there is more recovery than the Rs X - Rs Y. then after recovering dues of 01.02.2022, the remaining amount will be treated as recovery towards due of 01.03.2022.

**Age of oldest Dues:**

The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the aforesaid illustration, if the Dues relating to 1<sup>st</sup> February 2021 remain unpaid till 01.03.2021, the age of the oldest dues is reckoned as 29 days on 02.03.2021.



**LN BANGUR GROUP OF COMPANIES**

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**CORPORATE ADDRESS**

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**REGISTERED OFFICE**

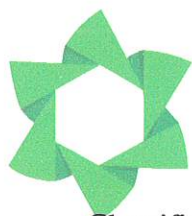
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## KIRAN VYAPAR LIMITED

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

Lending institutions will recognize the incipient stress in loan accounts, immediately on Default, by classifying them as Special Mention Accounts (SMA) The basis of classification of SMA / NPA Category shall be as follows:

Loans in the nature of Term Loans	
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

However, In case of NBFCs, the reference to 90 days for SMA-2 / NPA classification to be read as per the applicable norms and also subject to the provisions of the RB I Circular DOR CRE.REC.No.60/03.10.001/2021- 22 dated October 22,2021 on 'Scale Based Regulation (SBR): A revised Regulatory framework for NBFCs .

#### Non-performing Asset:

Non-Performing Asset (NPA) is a loan or an advance where:

- interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.



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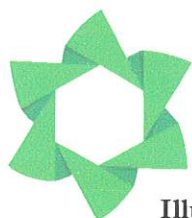
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Illustrative movement of an account to SMA category to NPA category based on delay / nonpayment of dues and subsequent upgradation to Standard category at day end process:

Due date of payment	Payment Date	Payment covers	Age of oldest dues in days	SMA / NPA Categorization	SMA since Date /SMA class date	N PA Ca teg ori zat ion	NPA Date
01.01.2022	01.01.2022	Entire dues upto 01.01.2022	0	NIL	NA	NA	NA
01.02.2022	01.02. 2022	Partly paid dues of 01. 02. 2022	1	SMA-0	01.02.2022	NA	NA
01.02.2022	02. 02. 2022	Partly paid dues of 01. 02. 2022	2	SMA -0	01.02.2022	NA	NA
01. 03. 2022		Dues of 01.02. 20 22 not fully paid 01.03.2022 is also due at EOD 01.03.2022	29	SMA -0	01.02.2022	NA	NA
		Dues of 01.02.2022 fully paid, Due for 01.0 3. 20 22 not paid at EOD 01.03.2022	1	SMA-0	01.03.2022	NA	NA
		No payment of full dues on 01.02. 2022 and 01.03.2022 at EOD 03.03.2022	31	SMA - 1	01.02.2022 I 03.03.2022	NA	NA
		Dues of 01.02.2022 fully paid, Due for 01.03.2022 not fully paid at EOD 01.03.2022	1	SMA-0	01.03.2022	NA	NA
01. 04. 2022		No payment of dues of 01.02. 20 22 ,01.03 .2022 and amount due on 01.04. 2022 at EOD 01.04.2022	60	SMA 1	01.02.2022 I 03.03.2022	NA	NA



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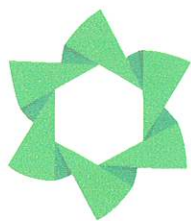
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		No payment of dues of 01.02.2022 till 01.04.2022 at EOD 02.04.2022	61	SMA 2	01.02.2022 / 02.04.2022	NA	NA
01.05.2022		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 01.05.2022	90	SMA 2	01.02.2022 / 02.04.2022	NA	NA
		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 02.05.2022	91	NPA	NA	NPA	02.05.2022
01.06.2022	01.06.2022	Fully Paid dues of 01.02.2022 at EOD 01.06.2022	93	NPA	NA	NPA	02.05.2022
01.07.2022	01.07.2022	Paid entire dues of 01.03.2022 & 01.04.2022 at EOD 01.07.2022	62	NPA	NA	NPA	02.05.2022
01.08.2022	01.08.2022	Paid entire dues of 01.05.2022 & 01.06.2022 at EOD 01.08.2022	32	NPA	NA	NPA	02.05.2022
01.09.2022	01.09.2022	Paid entire dues of 01.07.2022 & 01.08.2022 at EOD 01.09.2022	1	NPA	NA	NPA	02.05.2022
01.10.2022	01.10.2022	Paid entire dues of 01.09.2022 & 01.10.2022	0	Standard Account with No Over due	NA	NA	STD from 01.10.2022

I/we also understand that the aforesaid few examples are illustrative and not exhaustive in nature covering common scenarios, and that, the IRACP norms and clarifications provided by RBI on the subjects referred above will prevail



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