



## **SMA and NPA classification with specific reference to day end process.**

Pursuant to the Reserve Bank of India (RBI) guidelines on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” as notified vide circulars dated November 12, 2021 and February 15, 2022, the RBI has clarified the concepts of Overdue dates and Special Mention Account (SMA) / Non Performing Asset (NPA) classification and upgradation of accounts, as mentioned below, to ensure uniformity across all lending institutions.

### **Due date/repayment date**

It is the date on which the instalment comprising of principal / interest billed on the loan account are payable as mentioned in sanction terms/loan agreement.

### **Overdue (default) accounts**

An account shall be in default when principal / arrears of interest is not paid in full as seen on the respective due date mentioned in sanction terms/loan agreement, such account shall be specified as overdue loan account. The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

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

An overdue loan account shall be classified as SMA (Special Mention Account) or NPA (Non-Performing Asset) as per RBI regulations as notified vide circular dated November 12, 2021 and February 15, 2022.

### **Classification as Special Mention Account (SMA)**

The Company shall recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). The basis for classification of SMA categories shall be as follows:

| <b>Loans other than revolving facilities</b> |   | <b>Loans in the nature of revolving facilities like cash credit/overdraft</b> |  |
|--|---|---|--|
| SMA Sub-categories                           | Basis for classification – Principal or interest payment or any other amount wholly or partly overdue | SMA Sub-categories  | Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of: |
| SMA-0  | Upto 30 days  |   | -  |
| SMA-1  | More than 30 days and upto 60 days  | SMA-1   | More than 30 days and upto 60 days   |
| SMA-2  | More than 60 days and upto 90 days  | SMA-2   | More than 60 days and upto 90 days   |
| NPA  | More than 90 days   | NPA   | More than 90 days  |

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Accordingly, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. An illustration of such classification is given below:

| Classification as: | Scenario I              | Scenario II             |
|--------------------|-------------------------|-------------------------|
| Original Due Date  | 5 April 2022            | 2 April 2022            |
| SMA 0              | 5 April 2022 end of day | 2 April 2022 end of day |
| SMA 1              | 5 May 2022 end of day   | 2 May 2022 end of day   |
| SMA 2              | 4 June 2022 end of day  | 1 June 2022 end of day  |
| NPA                | 4 July 2022 end of day  | 1 July 2022 end of day  |

## **Upgradation of Accounts classified as Non-Performing Asset (NPA): (to be implemented w.e.f 1<sup>st</sup> October 2022)**

The loan account classified as NPA can be upgraded as “Standard” only if the entire arrears of interest and principal are paid in full and there is NIL arrears upon running day end process of that calendar date. In case of borrowers having more than one credit facility, 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.

For e.g. if a customer is classified as NPA on 4 July 2022 with an overdue of Rs. 50,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.

**Pay your instalments on time which helps you build your Credit Score**

**Higher Credit Score may help you get higher loan value with lower interest rates**

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