

CUSTOMER AWARENESS – REGARDING CLASSIFICATION OF LOAN ACCOUNT AS SMA AND NPA

As per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions 2023 and RBI circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications dated November 12, 2021, as amended from time to time, the following clarifications may kindly be noted:

A. CLARIFICATION ON OVERDUE:

An amount is to be treated as overdue if it is not paid on the due date fixed by the Lender (before the Lender runs the day-end process for that day). **Due Date** is the date on which the instalment comprising of principal / interest fixed by the Lender is payable as mentioned in the sanction letter/ KFS/ repayment schedule.

B. CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA) AND NON - PERFORMING ASSET (NPA):

As per RBI guidelines, Lender will recognize incipient stress in Customer's loan account, immediately on default, by classifying such account as Special Mention Account. 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	Basis for classification - Non-receipt of Principal or interest payment or any other amount wholly or partly overdue	Example: Classification if Due date is March 02, 2024
SMA-0	Upto 30 days from Due Date	SMA-0 on Mar 02, 2024, if complete loan dues are not paid on the due date
SMA-1	More than 30 days and upto 60 days from the Due Date	SMA-1 on April 01, 2024, if complete loan dues are not paid
SMA-2	More than 60 days and upto 90 days from the Due Date	SMA-2 on May 01, 2024, if complete loan dues are not paid
NPA	91st day from the Due Date	NPA on May 31, 2024, if complete loan dues are not paid

As per RBI's guidelines, the Lender will flag Customer's account as overdue at the day-end processes for the due date, irrespective of the time of running such processes. Similarly, the classification of Customer's account as SMA or NPA shall also be done as part of the day-end process for the relevant date. In other words, the SMA or NPA classification date shall be the calendar date for which the day end process is run.

Example:

- If due date of a loan account is March 02, 2024, and full dues are not received before the lender runs the day-end process for this date, the date of overdue shall be March 02, 2024 and the loan account shall be tagged as SMA-0 as of the date of overdue*
- If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 01, 2024 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 01, 2024.*
- Similarly, if the account continues to remain overdue, it shall get tagged as SMA2 upon running day-end process on May 01, 2024 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on May 31, 2024.*

The instructions on SMA classification of borrower accounts are applicable to all loans irrespective of size of exposure of the lending institution.

C. UPGRADATION OF ACCOUNT CLASSIFIED AS NPA:

Customer classified as NPAs may be upgraded as 'standard' only if entire arrears of interest and principal are paid by the Customer. Partial payment, such as payment of only interest or only one installment, shall not result in the upgradation of the loan account. Once an asset is classified as NPA, it will move back to 'Standard' category if the DPD (days past due) count comes to '0' DPD.