

Classification of Special Mention Account (SMA) and Non-Performing Asset (NPA) pursuant to RBI circular dated November 12, 2021 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.

Dear Stakeholders,

Please find below the classification of SMA and NPA as per new RBI NPA norms along with an illustration for clear understanding.

If any amount due under the Loan is not received before the Lender runs its day end process on the due date, the same shall be considered as overdue and if continued to be overdue the account will be classified as SMA-1 on 31st day, SMA-2 at 61st day and Non-Performing Asset ("NPA") at 91st day after the day end process of the respective dates. For example, if the due date is 05-01-22 then if continuously being unpaid the same shall be classified as SMA-1 as of 04-02-22, SMA-2 as at 06-03-22, and NPA as at 05-04-22. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL, CRIF High Mark, Equifax, Experian, etc. and the Bureau report of the customer will reflect defaults and its classification status and no. of days for which an account remains overdue is known as DPD (Days past due). Once an account is classified as NPA then it shall be upgraded as a 'standard' asset only if the borrower pays the entire arrears of interest and principal.

Illustration on due dates and NPA classification:

If the due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on April 30, 2021, i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running the day-end process on May 30, 2021, and if it continues to remain overdue further, it shall get classified as NPA upon running the day-end process on June 29, 2021.

Status	DPD	Illustration 1	Illustration 2	Illustration 3	Illustration 4 (Leap year)
*Due date/ Overdue (if not paid)	1 day	05-02-2022	03-06-2022	15-01-2022	15-01-2024
SMA-1	31 days	07-03-2022	03-07-2022	14-02-2022	14-02-2024
SMA-2	61 days	06-04-2022	02-08-2022	16-03-2022	15-03-2024
#Non- Performing Asset	91 days	06-05-2022	01-09-2022	15-04-2022	14-04-2024

Any amount due to the lender under any credit facility is 'overdue' if it is not paid on the due date fixed by the Lender. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL, CRIF High Mark, Equifax, Experian, etc. and the Credit Bureau report of the customer will reflect defaults and its classification status.

Once an account is classified as NPAs then it shall be upgraded as a 'standard' asset only if entire arrears of interest and principal are paid by the borrower.