

Customer Education Literature – Concepts of Date of Overdue, SMA and NPA Classification and Upgradation.

To increase the awareness of the borrowers on the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to the day-end process, RBI issued 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.

Overdue

An amount shall be treated as overdue if it is not paid on the due date as mentioned in the sanction letter and loan agreement. Further, the Company shall flag the Loan account as overdue as part of the day-end processes for the due date.

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

Borrower's account shall be classified as Special Mention Account (SMA) or Non- Performing Asset (NPA) immediately on default. The basis for classification of SMA and NPA shall be as follows:

Classification	Basis for classification – Principal or Interest Payment 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
NPA	More than 90 days

Example:

If due date of a loan account is March 31, 2022, 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, 2022. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022, 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, 2022.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2022, and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2022.

Upgradation of Accounts classified as Non-Performing Asset (NPA):

A loan account classified as NPA will be upgraded as "Standard Asset" only if the entire outstanding 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.

As the classification of loan account as SMA/NPA is getting reported to the credit information companies, the same will affect the credit score of the Borrower, Co-Borrower and the Guarantor if any.

In the light of the above, the company advises all its customers to pay the instalments and other amounts, if any, on the due dates as required under respective agreements without any delay so as to avoid classification of their accounts as SMA or NPA