

## Consumer Education Literature – SMA and NPA Classification

In compliance with RBI circular RBI/2021-2022/125 dated 12 Nov 2021 on IRACP (Income Recognition, Asset Classification and Provisioning pertaining to Advances) norms – point no. G on consumer education, lending institutions are required to place Consumer Education Literature on their websites for increasing awareness among consumer’s w.r.t concepts of overdue, SMA and NPA classification and upgradation.

Accordingly, the concepts/ clarifications/ illustrative examples on due dates and specification of SMA/ NPA have been detailed out for your ready reference.

- **Due date/repayment date**

It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement.

- **Overdue (default) accounts**

An account shall be in default when principal including arrears of interest and any other amount due 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 recognise 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:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub category/ies	Basis for classification – Principal or interest payable or any other amount wholly or partly overdue	SMA Sub category/ies	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of;

SMA0	Upto 30 days	NA	NA
SMA1	More than 30 days and Up to 60 days	SMA1	More than 30 days and Up to 60 days
SMA2	More than 60 days and Up to 90 days	SMA2	More than 60 days and Up to 90 days

Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day end of that calendar date.

- **Classification as Non-Performing Asset (NPA)**

The loan account shall be classified as Non-Performing Asset (NPA) when Principal or interest payment or any other amount remains overdue for a period of more than 90 days.

The examples of Special Mention Account (SMA) and Non-Performing Asset (NPA) classification mentioned below are illustrative and not exhaustive in nature and relate to general scenarios.

**Illustration:**

SMA 0 - If due date of a loan account is 31st March, 2021, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2021.

SMA 1 - If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e. 30th April, 2021.

SMA 2 - If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May, 2021

NPA – If the account continues to remain overdue further, it shall get classified as NPA on 29th June, 2021

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

The loan account classified as NPA can be upgraded as “Standard” only if the entire arrears of interest, principal and any other amount due are paid in full and there is NIL arrears upon running day end process of that calendar date.

For detailed guidelines on asset classification and provisioning, please refer to the RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended.

Please note that 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 shall prevail.

**Note: The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time**