

Consumer Education Literature on SMA/NPA & Upgradation

1. Introduction

With a view to increasing awareness among the borrowers, NBFC has placed consumer education literature on its websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process.

2. Definitions

2.1. Due date/repayment date

It is the date on which the interest and/or instalment of principal in the loan account are payable, as per the sanction terms & conditions in the loan agreement.

2.2. Overdue account

(i) An amount is to be treated as overdue, if it is not paid on the due date fixed by the NBFC.

(ii) The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be clearly specified in the loan agreement and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/ loan agreement till full repayment of the loan.

(iii) In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements.

2.3. Special Mention Account (SMA)

The NBFC 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 for the loans and other receivables shall be as follows:

| SMA | Basis for classification- wholly or partly overdue principal/interest payment |
|------------|--|
| SMA-0 | Up to 30 days |
| SMA-1 | More than 30 days and up to 60 days |
| SMA-2 | More than 60 days and up to 120 days |

2.4. Non-Performing Asset (NPA)

NPA shall mean

(i) an asset, in respect of which, interest has remained overdue for a period of more than 120 days.

(ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 120 days or on which interest amount remained overdue for a period of more than 120 days.

(iii) a demand or call loan, which remained overdue for a period of more than 120 days from the date of demand or call or on which interest amount remained overdue for a period of more than 120 days.

(iv) a bill which remains overdue for a period of more than 120 days.

(v) the interest in respect of a debt or the income on receivables under the head 'other current assets' in short-term loans/advances, which facility remained overdue for a period of more than 120 days.

(vi) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 120 days.

(vii) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary, when any of the above credit facilities becomes NPA.

3. An Illustration on date of overdue and SMA/NPA classification

(i) If due date of a loan account is March 31, 2024, 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, 2024.

(ii) If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2024, i.e., upon completion of 30 days of being continuously overdue.

(iii) If it continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2024, and

(iv) If it continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 30, 2024, as per the RBI guidelines on asset classification.

4. Upgradation of Accounts classified as NPA

(i) The loan account classified as NPA can be upgraded to standard asset category, only if the entire arrears of interest and principal are paid, and there is "nil" arrear, upon running day end process of that calendar date.

(ii) 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.