

**Customer Education Documents for Understanding of SMA and NPA**

Here are certain terms of related to the borrower account basis that track record of the borrower is monitored and shared with different CICs. In terms of various stages flagging of accounts pertaining to credit facilities/financial assistance availed by customers from the Bank as Overdue shall be done by the Bank as part of the Bank’s Day-end processes for the Due Date, irrespective of the time of running such processes by the Bank. Classification of accounts pertaining to credit facilities/financial assistance availed by customers from the Bank as SMA as well as NPA shall be done as part of day-end process for the relevant date.

**Due Date:** The due date as mentioned in the underlying loan agreement/facility agreement/loan card of the credit facility/financial assistance

**Overdue:** The amount due to the Bank under any credit facility/financial assistance is not paid on the Due Date.

**Special Mentioned Account (SMA):** A credit facility account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of his/her/its debt obligations, though the account has not yet been classified as Non-Performing Asset by the Bank.

The basis of classification of SMA / NPA Category shall be as follows:

<b>SMA Category</b>	<b>Term Loans and Demand Loans (Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between)</b>	<b>CC Limit / OD Limit (Basis for classification – Outstanding balance remains continuously more than the sanctioned limit or drawing power, whichever is lower, for a period of)</b>
SMA-0	Up to 30 days	Up to 30 days
SMA-1	More than 30 days and up to 60 days	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	More than 60 days and up to 90 days

**Example:** If due date of a loan account is March 31, 2022, and full dues are not received before the bank 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.



In the above example Due Date is 31<sup>st</sup> March 2022.

Category Movements as per Example:

SMA-0	31 <sup>st</sup> March 2022 to 29 <sup>th</sup> April 2022 i.e. up to 30 Days
SMA-1	30 <sup>th</sup> April 2022 to 29 <sup>th</sup> May 2022 i.e. up to 60 Days
SMA-2	30 <sup>th</sup> May 2022 to 28 <sup>th</sup> June 2022 i.e. up to 90days
NPA	29 <sup>th</sup> June 2022 the case will be Categorized as NPA i.e. on 91 <sup>st</sup> Day

**Standard Assets:** Standard Asset is one which does not disclose any problems, and which does not carry more than normal risk attached to the business. Although the accounts which are in SMA category will be treated as standard accounts only.

**Non-Performing Assets:** A non-performing asset (NPA) is a loan or an advance where;

- i. interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted, 6
- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment

**Out of order:** A Cash credit / Overdraft (CC / OD) account would be considered as 'out of order' if

- i. the outstanding balance in the CC / OD account remains continuously more than the sanctioned limit / drawing power for 90 days, or
- ii. the outstanding balance in the CC / OD account is less than the sanctioned limit / drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC / OD account is less than the sanctioned limit / drawing power but credits are not enough to cover the interest debited during the previous 90 days period.



**NPA classification due to non-renewal of CC/OD limits/ non-submission of stock statements:** The bank also classifies a CC/OD account as NPA if limits are not renewed within 180 days from the due date. Stock statements relied upon by the bank for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months would be deemed as irregular and such an account will be classified as NPA after 90 days from the date of irregularity.

**NPA classification at borrower level:** NPA reporting is borrower level as per regulatory guidelines and thus, overdue in any one account of borrower will result in reporting of borrower as NPA for all the running Loans of the borrower.

**Upgradation of accounts classified as NPAs:** The bank would be upgrading the loan accounts classified as NPAs as 'stand-ard' asset only if entire arrears of interest and principal are paid. Upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc. will be governed by specific regulations.

### **Generally used abbreviations in Banking**

<b>BG</b>	:	Bank Guarantee
<b>CC</b>	:	Cash Credit
<b>TL</b>	:	Term Loans
<b>EMI</b>	:	Equated Monthly Instalments
<b>DPD</b>	:	Days Past Due
<b>NPA</b>	:	Non-Performing Assets
<b>SMA</b>	:	Special Mentioned Account
<b>OD</b>	:	Overdue as well as Overdraft depending on what terms it is used
<b>DCCO</b>	:	Date of commencement of commercial operations

*For detailed guidelines in asset classification and provisioning, please refer to RBI's Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances RBI/2022-23/15 DOR.STR.REC.4/21.04.048/2022-23 April 1, 2022. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time*