

CUSTOMER AWARENESS ON CLASSIFICATION AS SPECIAL MENTION ACCOUNT (SMA) AND NON- PERFORMING ASSET (NPA)

Bank classifies a loan account as Special Mention Account (SMA), Non-Performing Asset (NPA) immediately in case of default as per the guidelines issued by Reserve Bank of India.

The applicable laws and guidelines and any revision in classification of SMA and NPA from time to time under the applicable laws, rules, guidelines etc., including the guidelines issued by Reserve Bank of India/Statutory authorities shall be binding on the borrower.

The classification norms of SMA categories and classification norms of NPA category in case of default of Term Loan, CC/OD facility, Bill Discounting facility, interest payment is specified hereunder, and such classifications are subject to change from time to time and shall be binding on the borrower when such change(s) is effected.

If any account is classified as SMA / NPA, the credit scores, e.g., CIBIL, of borrowers and guarantors will be affected, which will also affect their credit rating, which may please be noted.

Identification as SMA (Special Mention Account)

Category	Loans other than Revolving facilities like Term Loans	Loans in the nature of Revolving facilities like Cash Credit, Overdraft
SMA Sub categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	Basis for classification – Outstanding* balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA – 0	Upto 30 days	--
SMA – 1	More than 30 days & upto 60 days	More than 30 days & upto 60 days
SMA – 2	More than 60 days & upto 90 days	More than 60 days & upto 90 days

Identification as NPA (Non-Performing Assets)

Category	Loans other than Revolving facilities like Term Loans	Loans in the nature of Revolving facilities like Cash Credit, Overdraft etc.
NPA	Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.	<input type="checkbox"/> Cash credit/Overdraft (CC/OD) account is classified as NPA if it is 'out of order'. In cases where the outstanding* balance in the principal operating account is less than the sanctioned limit/drawing power, the extant instructions, inter alia, stipulate that the account should be treated as 'out of order' if there are no credits continuously for 90 days as on the date



	<p><u>Note:</u> In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.</p> <p>In case of direct agricultural advances, a loan granted will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops & for one crop season for long duration crops.</p>	<p>of Balance Sheet or credits are not enough to cover the interest debited during the same period. In order to avoid any ambiguity regarding determination of ‘out of order’ status of CC/OD accounts on a continuous basis, it is clarified that an account shall be treated as ‘out of order’ if:</p> <ol style="list-style-type: none"> I. the outstanding balance in the CC/OD account remains continuously in excess of 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. <ul style="list-style-type: none"> <input type="checkbox"/> The definition of ‘out of order’ shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits. <input type="checkbox"/> The previous 90 days period for determination of ‘out of order’ status of a CC/OD account shall be inclusive of the day for which the day-end process is being run. <input type="checkbox"/> In the case of bills purchased and discounted the account will be termed as NPA if the Bill remains overdue for a period of 90 days. <input type="checkbox"/> An account where the regular / ad-hoc credit limits have not been reviewed or have not been renewed within 90 days from the due date / date of ad-hoc sanction will be treated as NPA.
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*The outstanding in the account based on drawing power calculated from stock statements older than three months would be deemed as irregular. A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days.

Treatment of NPAs-Borrower-wise and not Facility-wise: In respect of a borrower having more than one facility with a bank, all the facilities granted by the bank will be treated as NPAs and not the particular facility or part thereof which has become irregular. I.e., if one account becomes NPA , the other accounts of the borrower will also be treated as NPA.

EXAMPLE: An illustration of movement of an account to SMA category / NPA category based on delay / non-payment of dues and subsequent upgradation to Standard category at day end process is as follows:



If 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. The account shall be classified as SMA-0 and will remain in that category till April 29, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running 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 SMA2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on **June 29, 2021**.

If the account is tagged as NPA, it shall be reclassified as standard only after entire overdues are repaid by the borrower. The account will upgrade to the Standard category after paying the entire dues. In case of borrowers having more than one credit facility from the Bank, 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, which may please be noted.

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