



Customer Education- Literature on SMA, NPA classification and Upgradation

As per the RBI circular, the company is required to classify the customer as Special Mention Account (SMA). The basis of classification of SMA categories are as follows:

SMA Sub-Categories	Basis for Classification- Principal or Interest Payment or any other amount wholly or partly overdue
SMA-0	Up to 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days

The borrower's account shall be flagged as overdue by the company as a part of day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

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 as per extant asset classification norms.

For interest payments on term loans an account will be classified as NPA, if the interest applied at specified rests remains overdue for more than 90 days.

Upgradation of accounts classified as NPAs:

The loan accounts classified as NPAs will be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.

Impact to Borrower due to Non- repayment of loan in time:

The missed payments / default will be recorded on the credit report of the customer which could affect the credit score and make it harder to access financial products in the future.