

RBI Guideline - Prudential Norms on Income Recognition, Asset Classification and Provisioning dated 12th Nov 2021 and 15th Feb 2022

To ensure customers are aware of the due date of the repayment as well as the classification of the loan account in the event of non-payment of over dues, some of the most important terms and conditions of the loan are being elaborated as under:

- The amount, if it is not paid on or before the due date or at the due date as per the sanction letter, shall render the Borrower liable to pay delayed payment charges as mentioned in the schedule of charges and the Borrower's account shall be classified as Special Mention Account (SMA) or Non-Performing Asset (NPA) immediately on default as below:

<u>Loans other than revolving facilities</u>		<u>Loans in the nature of revolving facilities like cash credit/overdraft</u>	
<u>SMA Sub-categories</u>	<u>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue</u>	<u>SMA Sub-categories</u>	<u>Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:</u>
SMA -0	Upto 30 days	-	-
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days
NPA	More than 90 days	NPA	More than 90 days

- Illustration:

Due date	Particular	Overdue days	Classification date	Classification
March 31, 2021	Amount due not paid in full	Upto 30 days	March 31, 2021	SMA -0
	Amount still continues to remain overdue	More than 30 days and up to 60 days	April 30, 2021	SMA -1
	Amount still continues to remain overdue	More than 60 days and up to 90 days	May 30, 2021	SMA -2
	Amount still continues to remain overdue	More than 90 days	June 29, 2021	NPA

- The SMA accounts are special mentioned accounts as per RBI guidelines signifying stress in the borrower's repayment behaviour and are required to be reported to RBI.
- Once the loan is classified as an NPA, it shall remain so until the entire overdue amount has been paid. The account will be upgraded to a standard asset on payment of the entire overdue amount i.e there should be 0 (zero) outstanding in the account.
- All payments received by the company before it runs the day-end process will be recognized for the above purpose.

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