

## Guidelines for classification of Borrowal Accounts as SMA and NPA.

### 1. Overdue and Date of Overdue

Any amount due to the Bank under any credit facility shall be treated as overdue if it is not paid on the due date fixed by the Bank. Borrower accounts shall be flagged as overdue by the Bank as part of the day-end process for the due date and the date of overdue shall be the calendar date for which the day-end process is run.

Example: If the due date of a loan account is March 31, 2021, 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, 2021.

### 2. Classification as Special Mention Account (SMA)

Classification of borrower accounts as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the dayend process is run.

The basis for classification of SMA categories shall be as follows:

Loans other than revolving facilities		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	SMA Sub-categories	Basis for classification –Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
<b>SMA-0</b>	Upto 30 days		
<b>SMA-1</b>	More than 30 days and upto 60 days	SMA-1	More than 30 days and upto 60 days
<b>SMA-2</b>	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

Example:

(i) If overdue date of a loan is March 31, 2021, the account will be in SMA0 category upto 30 days, i.e., 29/04/2021.

If it continues to remain overdue, then this account shall be classified as SMA1 upon running day-end process on April 30, 2021 and the date of SMA1 classification shall be 30/04/2021. If the account still continues to remain overdue, it shall be classified as SMA2 upon running dayend process on 30/05/2021, i.e., upon completion of 60 days of being continuously overdue.

(ii) If a CC/OD account is overdrawn on 31/03/2021 and the overdrawn status continues, it will be classified as SMA1 on 30/04/2021. Similarly, if the account continues to remain overdrawn, further, it will be classified as SMA2 on 30/05/2021.

SMA classification of borrower accounts is applicable to all loans including retail loans irrespective of size of exposure of the Bank. Agricultural advances governed by crop season based asset classification norms shall be exempt from this classification.

### **3. Classification as Non-Performing Asset (NPA)**

Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run.

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 bill remains overdue for a period of more than 90 days in respect of Bills Purchased and Discounted.

iii) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.

iv) The instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

v) The account remains "Out of Order" as indicated below in respect of Overdraft / Cash Credit (CC/OD).

## **Out of Order Status:**

An account shall be treated as “Out of Order” if:

- 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
- iii) 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.

Example:

If the overdue date of a loan is March 31, 2021 and it continues to remain overdue, the account will be classified as NPA upon running day-end process on 29/06/2021 and the date of NPA shall be 29/06/2021.

**4. NPA Classification is customer-wise:** If one borrowal account of a customer is classified as NPA all other borrowal accounts of the customer will be treated as NPA, even if those accounts are not having any delinquency. For standardisation all delinquencies in all borrowal accounts of the customer have to be cleared, even if those delinquencies are not sufficient to cause the account to be classified as NPA.

## **5. Upgradation of accounts classified as NPAs:**

Loan accounts classified as NPAs may be upgraded as “Standard” asset only if the entire arrears of interest and principal and all other defects in all the accounts of the borrower are cleared by the borrower. No delinquencies should be present in any account of the customer.