Classification of SMA and NPA

1. Classification of loan account:

   In view of the guidelines issued by the Reserve Bank of India (RBI) on 'Prudential norms on Income Recognition,Asset Classification and Provisioning pertaining to Advances' ("Prudential Norms"), the Borrower(s) and the Security Provider(s) hereby acknowledge that the Lender shall follow the following classification norms in relation to theFacility, as a day-end process:

   a) Overdue amount under the loan account:

      Any amount payable by the Borrower(s) under the Facility shall be treated as 'overdue' if it is not paid on thedue date(s) specified in the final repayment schedule.

      Example: If any instalment / any amount in relation to the loan is due on March 10, 2022 and full payment in relation to such instalment / amounts due are not received by the Lender before running the day end process for March 10, 2022, then such instalment / amounts due shall be considered as 'overdue' on March 10, 2022.

   b) Special Mentioned Account (SMA) and Non-Performing Asset (NPA):

      As per the Prudential Norms, the Lender is required to recognize incipient stress in loan accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis for classification of SMAcategories shall be as follows:

Sr. No	SMA Subcategories	Basis for classification – principal or interest payment or any other amount wholly or partly overdue
1	SMA – 0	Up to 30 days
2	SMA – 1	More than 30 days and up to 60 days
3	SMA – 2	More than 60 days and up to 90 days

   The loan account shall be classified as NPA, if any amount payable by Borrower(s) under the Facility remains overdue for a continuous period of 90 days.

   c) Illustration

      For illustration purposes, please see below the following example for the classification of a loan account:

Sr.No.	Classification of the loan account	Examples
1	SMA - 0	If due date of any instalment is March 10, 2022, and full payment in relation to such installment is not received by the Lender before the running the day-end process for March 10, 2022, then the loan account shall be tagged as SMA – 0 by the Lender. The date of overdue shall be March 10, 2022.

2	SMA - 1	If it continues to remain overdue, the loan account shall be tagged as SMA - 1 by the Lender upon running day-end process on April 09, 2022 i.e., upon completion of 30 days of being continuously overdue. The date of SMA - 1 classification for the loan account shall be April 09, 2022.
3	SMA - 2	If it continues to remain overdue, the loan account shall be tagged as SMA – 2 by the Lender upon running day-end process on May 09, 2022, i.e., upon completion of 60 days of being continuously overdue. The date of SMA - 2 classification for the loan account shall be May 09, 2022.
4	NPA	If the amount continues to remain overdue further, the loan account shall be classified by the Lender as NPA upon running day-end process on June 08, 2022, i.e., upon completion of 90 days of being continuously overdue. The date of NPA classification for such loan account shall be June 08, 2022.

Note: Illustration given herein is only for understanding the manner of classification of loan accounts. Actual classification of loan account shall be done as per the relevant Due Date(s) fixed for the repayment of the Loan.

d) Upgradation of loan account which is classified as NPA:

The loan account if classified as NPA by the Lender may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the Borrower(s). It is clarified that the loan account if classified as NPA, shall not be upgraded as 'standard' merely upon payment of any partial dues.