

Customer Education Literature

This Customer Education policy is issued to create awareness amongst the borrowers on the concepts of overdue, SMA and NPA classification of loan and upgradation in line with RBI guidelines.

What is due and due date?

Dues indicate the principal / interest / any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility. Due date indicates the date on which/within the due amount has to be paid as stipulated and agreed as per contracted loan sanction terms.

What is Overdue?

Overdue indicates shall mean the principal / interest / any charges levied on the loan account which are payable but have not been paid within the period stipulated as per the terms of sanction of the credit facility. In other words, any amount due to the bank under any credit facility is 'overdue' if it is not paid by the due date fixed by the bank.

When Lending Institutions will classify any loan as Special Mention Account (SMA) and Non-Performing Asset (NPA) with Illustrations?

As per the Reserve Bank of India (RBI) guidelines, Lending institutions will recognize the incipient stress in loan accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis of classification of SMA / NPA category shall be as follows:

| Loans other than revolving facilities | | Loans in the nature of 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: |
| SMA 0 | Up to 30 days | NA | NA |
| SMA 1 | More than 30 days and up to 60 days | SMA 1 | More than 30 days and up to 60 days |
| SMA 2 | More than 60 days and up to 90 days | SMA 2 | More than 60 days and up to 90 days |

Non-performing Asset:

Non-Performing Asset (NPA) is a loan or an advance where:
The loan account shall be classified as Non-Performing Asset (NPA) when Instalment or interest amount payable, if any remains overdue for a period of more than 90 days.

The account remains 'out of order' as indicated below, in respect of an Overdraft / Cash Credit (OD / CC)

The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

'Out of Order' Status:

An account shall be treated as 'out of order' if:

the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or

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.

Illustrations: (This illustration is for reference purpose only)

Mr. A (Borrower) has taken loan of X amount due date of which falls 5th day of every month i.e. May 5, 202X, June 5, 202X, July 5, 202X, August 5, 202X and so on, then the SMA/NPA classification for the respective due amount will be done upon running day end processes. The indicative SMA/NPA classification of the amount falling due on May 5, 202X shall be as follows:

| Due date of payment | Payment date | Payment covers | Days overdue | SMA/NPA |
|---------------------|--------------|---|-------------------------------------|---------|
| May 5, 202X | May 5, 202X | Entire dues up to May 5, 202X | NIL | NA |
| June 5, 202X | June 5, 202X | No payment or Part payment of dues of June 5, 202X | Up to 30 days | SMA-0 |
| July 5, 202X | - | No full payment of June 5, 202X and payment for July 5, 202X is also due at EOD July 5, 202X | More than 30 days and up to 60 days | SMA-1 |
| August 5, 202X | - | No full payment of earlier dues and payment for August 5, 202X is also due at EOD July 5, 202X | More than 60 days and up to 90 days | SMA-2 |
| September 5, 202X | - | No full payment of earlier dues and payment for September 5, 202X is also due at EOD July 5, 202X | More than 90 days | NPA |

When loan will be classified as Standard once classified NPA (Upgradation of Accounts classified as Non-Performing Asset (NPA)?

The loan account classified as NPA can be upgraded as “Standard” only if the entire arrears of interest, principal and any other amount due are paid in full and there is no amount due upon running day end process.

What is the impact on the borrower if the account is slipped to SMA/NPA?

As per the regulatory guidelines, the Lending Institutions has to report the account as SMA/NPA to Credit Information Companies (CICs) etc. from time to time, which impacts the credit history of the borrower.

For detailed guidelines on asset classification and provisioning, please refer to the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025 as amended from time to time. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time

Further, as per Reserve Bank of India (Non-Banking Financial Companies – Credit Information Reporting) Directions, 2025 as amended from time to time, the lending Institutions are mandated to report the account status on a weekly basis to the CICs. To maintain a healthy credit history, borrower must make repayments on time, repay any overdue amount promptly and avoid loan account becoming a Non-Performing Asset (NPA).