

CONSUMER EDUCATION LITERATURE ON CONCEPT OF SMA/NPA CLASSIFICATION

In terms of RBI guidelines, the Bank shall classify **all loans including retail loans**, immediately on default, as Special Mention Accounts (SMA) category where repayments have been overdue at the time of running the day end process irrespective of the time of running such process.

Irregular/overdue Accounts

The Loan account is considered as **‘irregular/overdue’** by the Bank, if the principal amount of loan, interest thereon, equated monthly instalment is not paid on the due date fixed by the Bank.

For Term Loans, SMA classification is as under:

Upto 30 days, as SMA – 0
More than 30 days and upto 60 days, as SMA – 1
More than 60 days and upto 90 days, as SMA – 2

For example:

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

If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 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, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

For Cash Credit / Overdraft accounts:

Similarly, in case of **cash credit / overdraft accounts**, if outstanding balance remains continuously in excess of the sanctioned limit or drawing power (whichever is lower) for a period of:

More than 30 days and upto 60 days, as SMA – 1
More than 60 days and upto 90 days, as SMA – 2

As such, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end process of that calendar date.

A Cash credit/Overdraft (CC/OD) account is classified as NPA if it is ‘out of order’.

Clarifications regarding definition of ‘out of order’:

- 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 CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or credits are not enough to cover the interest debited during the previous 90 days period.
- The ‘previous 90 days period’ for determination of ‘out of order’ status of a CC/OD account shall be inclusive of the day for which the day-end process is being run, and
- This definition of ‘out of order’ shall be applicable to all loan products being offered as an overdraft facility including those not meant for business purposes and/or which entail interest repayments as the only credits.

Other Reasons for NPA classification :

- Non-submission of stock statement regularly;
- Non-renewal of regular/ad hoc limits within 180 days from the due date of previous sanction.

Upgrade from NPA

- In case the loan accounts classified as NPA, loan account shall be upgraded from NPA to standard category **only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.**

Example for SMA/NPA status (If due date of a loan account is March 31,2022)

No dues is paid

Date	Charged (₹)	Recovery (₹)	Status	Remarks
Mar 31, 2022	1,000	-	SMA-0	Overdue position
Apr 30, 2022	1,100	-	SMA-1	Overdue position
May 30, 2022	-	-	SMA-2	Overdue position
May 31, 2022	1,150	-	SMA-2	Overdue position

Partial dues paid (during SMA)

Date	Charged (₹)	Recovery (₹)	Status	Remarks
Mar 31, 2022	1,000	-	SMA-0	Overdue position
Apr 30, 2022	1,100	800	SMA-1	Overdue for Mar
May 25, 2022	-	500	SMA-0	Overdue for April
May 31, 2022	1,150	-	SMA-1	Overdue for April
Jun 28, 2022	-	1,000	SMA-0	Overdue for May
Jun 30, 2022	900	-	SMA-1	Overdue for May

Note: 1. The SMA status may be upgraded on payment of dues by the borrower.
2. The appropriation of recovery would be done for the oldest overdue as *per* first-in-first-out (FIFO) basis.

Partial dues paid (after NPA)

Date	Charged (₹)	Recovery (₹)	Status	Remarks
Mar 31, 2022	1,000	-	SMA-0	Overdue position
Apr 30, 2022	1,100	-	SMA-1	Overdue position
May 30, 2022	-	-	SMA-2	Overdue position
May 31, 2022	1,150	-	SMA-2	Overdue position
Jun 29, 2022	-	-	NPA	Asset classification
Jun 30, 2022	-	3,000	NPA	All dues not cleared

Note 1. The account classified as NPA is upgraded only when the borrower pays off the entire arrears of interest and principal for all loan facilities availed from the Bank.

Loan facilities in the nature of CC/OD accounts:

Out of order (CC/OD accounts)-Not enough credits in the account in las 90 days

Date	Debit (₹)	Credit (₹)	Status	Remarks
Mar 31, 2022	1,000	-		
Apr 1, 2022	-	1000		
Apr 30, 2022	1050	-		
May 1, 2022	-	1050		
May 31, 2022	1025	-		



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47580211-215(5 LINES)

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PATPARGANJ
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Jun 29, 2022	-	-	NPA	Total interest debits in 90 days ` 3,075, total credits: `2,050
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