



# **CUSTOMER EDUCATION ON SMA/ NPA**

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Svamaan Financial Services Pvt. Ltd.

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## CUSTOMER EDUCATION ON SMA/ NPA

With reference to the RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dated 12th November, 2021 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' the following clarifications may kindly be noted.

### Overdue:

An amount is to be treated as 'Overdue' if it is not paid on the due date as fixed by Svamaan Financial Services Private Limited ("Svamaan"). The accounts are classified as overdue on a daily basis as a part of the day end process.

DPD (Days Past Due): It indicates whether the customer has been consistent in the repayments and if the same has been missed, how many installments the customer has missed and by how many days. With respect to a particular loan, the number of days for which any principal/ interest/ EMI or any of its installments for that loan is overdue and not paid as at day end process.

### Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):

The RBI vide circular DBR.No.BP.BC.45/21.04.048/2018-19 dated 7th June 2019 on 'Prudential Framework for Resolution of Stressed Assets' requires the lenders to recognise incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). It is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Up to 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days

Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day end of that calendar date. An illustration of such classification is as follows:

**SMA 0** - If the due date of a loan account is 31st March, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March.

**SMA 1** - If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e., 30th April.

**SMA 2** - If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May.

**NPA** – If the account continues to remain overdue further, it shall be classified as NPA on 29th June.



**Upgradation of accounts classified as NPAs:**

In this regard, it is clarified that loan accounts classified as NPAs may be upgraded as 'Standard' asset only if the entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.