

## Customer Awareness about concepts of Overdue, SMA and NPA classification and day-end process:

This article is to spread awareness among our customers on the concepts of date of overdue and SMA (Special Mention Account) classification with specific reference to day-end process in line with the RBI Regulations.

As per the Reserve Bank of India (RBI) guidelines on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications” as notified vide circulars dated November 12, 2021 and February 15, 2022, the RBI has clarified the concepts of Overdue dates and Special Mention Account (SMA) / Non Performing Asset (NPA) classification and upgradation of accounts, as mentioned below, to ensure uniformity across all lending institutions.

**Due date:** It is the date on which the instalment comprising of principal / interest fixed by the Lender is payable as mentioned in sanction terms/loan agreement.

**Overdue:** An account shall be overdue when principal / arrears of interest is not paid in full on the respective due date mentioned in sanction terms/loan agreement. The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

**Basis for classification of loans:** For better understanding, the basis for classification of a loan account as SMA and an example for the same as mentioned below:

SMA 0: Up to 30 days

SMA 1: from 31 to 60 days

SMA 2: from 61 to 90 days

**NPA:** *There is no NPA as the outstanding loan for more than 90 days is written off in books.*

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

### Example for SMA classification:

Classification as:	Illustrative Dates
Original Due Date	April 10, 2024
SMA-0	Up to May 10, 2024 End of day
SMA-1	Up to June 09, 2024 End of day
SMA-2	Up to July 09, 2024 End of day

It is strongly recommended that all customers make their installment payments on or before the respective due dates, without any delay or default. Timely payments will help avoid the classification of accounts as Special Mention Accounts (SMA), which can negatively impact credit history. Additionally, maintaining a good payment record can enhance customers' credit scores, thereby increasing their eligibility for higher loan amounts at more favorable interest rates.