

**Annexure –**  
**{Explanatory note on concept of Date of Overdue, SMA & NPA Classification}**

Prudential Framework for Resolution of Stressed Assets requires the Bank to recognize incipient stress in borrower accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis for classification of SMA categories shall be as follows :

Loans other than revolving facilities		Loans in the nature of revolving facilities like 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	Upto 30 days		
SMA- 1	More than 30 days and upto 60 days	SMA - 1	More than 30 days and upto 60 days
SMA - 2	More than 60 days and upto 90 days	SMA-2	More than 60 days and upto 90 days

In the above categories the borrower accounts shall be flagged as overdue by the Bank as part of the day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end processes for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

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 or 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.

It is further clarified that instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans irrespective of size of exposure.

**Classification of Assets as Non-Performing**

A Non-performing Asset (NPA) is a loan or an advance where :

- i) interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan. (any amount due to the Bank under any credit facility, if not paid by the due date fixed by the bank becomes overdue)
- ii) The account remain ‘Out of order’, in respect of Overdraft / Cash Credit (OD/CC) (an account will be treated as ‘out of order’ if the outstanding balance 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.
- iii) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.