

Customer Awareness

As per Reserve Bank of India's (RBI) notification on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP norms) - Clarifications ('RBI Circular') dated November 12, 2021, norms of Non-Performing Assets is clarified. With a view to ensuring uniformity in the implementation of IRACP norms across all lending institutions, certain aspects of the extant regulatory guidelines are being clarified and/or harmonized, which will be applicable mutatis mutandis to all lending institutions

Clarification is as follows:

I. Date of Overdue:

Loan account will be flagged as an overdue account if as on running day-end processes (irrespective of time of running such process) no payment has been received.

Example for date of overdue

If due date of payment is March 31, 2021, and full dues are not received before the Company runs the day-end process for this date, the date of overdue shall be March 31, 2021.

II. Special Mention Account (SMA) and Non-Performing Asset (NPA) classification

The Company will flag an account as SMA or NPA if the default subsists (as per timeline prescribed) at time of running its day-end process.

The classification parameter as provided in RBI IRACP Norm Clarifications are as follows:

	Basis for classification	
SMA Sub-categories	For amortizing facilities	For revolving facilities
Basis for classification	Principal or interest payments or any other amount wholly or partly overdue	Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower
SMA-0	1 – 30 days	N.A.
SMA-1	31– 60 days	31– 60 days
SMA-2	61 – 90 days	61 – 90 days

Example with specific date for SMA/NPA

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, that is 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.

Upgradation of accounts classified as NPAs

Once account is classified as NPA, it shall only be upgraded as standard asset upon payment of entire arrears of interest and principal by the borrower at the time of running the day-end activity of that particular date.