

NPA Classification Norms

This communication is to increase the awareness of our customers on the concepts of date of overdue, SMA and NPA classification and upgradation.

Failure of a borrower to pay the instalments / other amounts, if any on or before the due dates leads to the classification of the loan account as Special Mention Account (SMA) or Non-Performing Asset (NPA)

Basis for classification of loans

Classification Categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue
SMA - 0	Upto 30 days
SMA - 1	More than 30 days and upto 60 days
SMA - 2	More than 60 days and upto 90 days
NPA	More than 90 days

The Classification of borrower accounts as Special Mention Account (SMA) as well as Non-Performing Asset (NPA) shall be done as part of the day-end process for the relevant date. The SMA or NPA classification date shall be the calendar date for which the day end process is run.

The classification of SMA or NPA is done at the borrower level which means all the loan account of a borrower will be classified as applicable for the loan with highest overdue days. Thus, all loans and advances availed by a person through any product / account number(s) shall be considered as link loan accounts and sub-standard or non-performing asset, if found irregular in repayment in any of the account(s) under asset classification rules. Example: Customer has availed three loans under different product lines. Amongst all three loan accounts one of the loan accounts was classified as NPA due to irregularity in the repayment, in such an event the other two loan accounts (though regular in repayment) shall also be considered as NPA or non-performing asset as per asset classification rules.

It is also pertinent to note that on commission of such default, the Company is contractually entitled to enforce the security created by the borrower and / or guarantor.

As per the RBI notification dated 12th Nov 2021, the loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower. Partial payment, such as payment of only interest or only one instalment, shall not result in the upgradation of the loan account. Once a loan account is classified as an NPA, it shall remain as such till the time the entire arrears of interest and principal are paid by the borrower.

Impact on credit score: As the classification of loan account as SMA / NPA shall be reported to the credit information companies, the same will affect the credit score of the borrower and the guarantor, eventually creating hindrance for availing further credit facility from Banks and Financial Institutions.

In the light of the above, the Company advises all its customers to pay the instalments and other amounts, if any, on or before the due dates without any delay or default and avoid classification of their accounts as SMA or NPA.