

RBI has via circular no. RBI/2021-2022/125/DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021, issued clarifications with respect to Asset classification and provisioning pertaining to Advances.

All lenders are required 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 is as under;

Loans other than revolving facilities			Loans in the nature of revolving facilities like cash credit/overdraft		
SMA categories	Sub-	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA categories	Sub-	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

Once the customer outstanding dues crossed 90 days, the customer loan is classified as a “Non-Performing Asset (NPA)”.

Classification of SMA as well as NPA are done as part of the end of day process for the relevant date.

Example:

If due date of a loan account is April 15, 2022, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be April 15, 2022 and the loan account will be tagged as SMA-0.

If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on May 15, 2022 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be May 15, 2022.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on June 14, 2022.

If it continues to remain overdue further, it shall get classified as NPA upon running day-end process on July 14, 2022.

Once a customer loan is tagged as NPA, it will only be upgraded to Standard asset only on payment of the entire interest and Principal outstanding.