



**CUSTOMER AWARENESS -  
LOAN CLASSIFICATION AS SPECIAL  
MENTION ACCOUNTS (SMA) & NON-  
PERFORMING ASSETS (NPA)**

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As per the Reserve Bank of India (RBI) guidelines on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances’, following is the explanation on concepts of dates of overdue, Special Mention Accounts (SMA) and NPA classification and upgradation, with specific reference to the day-end process.

All the below-mentioned examples are illustrative covering common scenarios and not exhaustive. They are subject to change based on the RBI guidelines. The asset classification of borrowers would be determined based on prevailing RBI guidelines. In case of any doubt, the customer can reach out to our customer service or Branch team.

## 1) Overdue accounts

Any amount due to Aye under any credit facility is ‘overdue’ if it is not paid on the due date fixed by Aye. The credit facilities provided by Aye have fixed due dates as mentioned in the loan agreements or other related documents.

Example - If the due date for a loan account is 7<sup>th</sup> Mar’23 and full EMI is not received by the end of the day on 7<sup>th</sup> Mar’23 then the account would be considered as ‘Overdue’.

## 2) Special mention accounts (SMA) classification

When a default happens in a borrower account, lenders like Aye have to recognize the stress developing in such accounts by classifying them as special mention accounts (SMA) as per directives from RBI. This classification is done immediately on default. Various SMA categories are given below.

SMA Categories	Loans other than revolving facilities	Loans in revolving facilities like cash credit/overdraft
		Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Up to 30 days	NA
SMA-1	More than 30 days and up to 60 days	
SMA-2	More than 60 days and up to 90 days	

**Example:** If the due date for a loan account is 7<sup>th</sup> Mar’23 and full EMI is not received by the end of the day on same date, the account would be reported as:

Categories	Loans other than revolving facilities	Loans in revolving facilities like cash credit/overdraft
SMA-0	7 <sup>th</sup> Mar’23	NA
SMA-1	6 <sup>th</sup> Apr’23 end of day	
SMA-2	6 <sup>th</sup> May’23 end of day	

### 3) Non-Performing Asset (NPA) classification

A non-performing asset (NPA) is a loan or advance where:

- Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan
- The loan account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC),
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- the instalment of principal or interest thereon remains overdue for two crop seasons for short-duration crops
- the instalment of principal or interest thereon remains overdue for one crop season for long-duration crops

An account is treated as 'out of order' if:

- The outstanding balance in the CC/OD account 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-day period. The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is being run.

#### Classification of NPA based on overdue

NPAs are further classified into the following three categories based on the period for which the asset has remained non-performing:

- Substandard Assets - An account that is non-performing for a period not exceeding 12 months
- Doubtful Assets - An account that has remained in the sub-standard category for more than 12 months
- Loss Assets - An account which is considered uncollectible and of such little value, that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value

#### Restructuring

Restructuring is an act in which lending institutions grant a concession to the borrower under financial difficulty for economic or legal reasons. The restructuring may involve modification of terms of the advances/securities, which would generally include, among others, alteration of payment period/payable amount/the number of instalments/rates of interest, rollover of credit facilities, sanction of additional credit facility/release of additional funds for an account in default to aid curing of default/enhancement of existing credit limits, compromise settlements where time for payment of settlement amount exceeds three months. The instructions specified by RBI for restructuring shall continue to be applicable.

However, accounts restructured under specific scenarios like projects under implementation, natural calamity, and Resolution Framework for COVID-19-related stress are considered as 'standard' and not downgraded to NPA as per the RBI guidelines.

## Other reasons for NPA classification

- Non-commencement of commercial operations within the scheduled date and the grace period permitted by RBI
- Detection of fraud in the loan account
- Non-review/renewal of working capital credit limits within 180 days from the due date of the previous sanction

If a loan account of a borrower is classified as NPA, all other accounts of the same borrower/co-borrower are also classified as NPA, irrespective of overdue status in other accounts.

## 4) Upgrade from NPA

Once an account is classified as an NPA, the account is upgraded to 'Standard' only when the borrower pays off entire arrears of interest and principal for all loan facilities availed from Aye and CC/OD accounts are not in 'out of order' status. In case of partial payment of arrears (interest/principal/EMI), it will still be classified as NPA. Regarding the upgradation of accounts classified as NPA due to restructuring, non-achievement of DCCO, etc., the instructions as specified for such cases shall be applicable.

### Example:

*If the due date of a loan account is 7<sup>th</sup> March 2023, and full dues are not received by the day-end process for this date, the date of overdue shall be 7<sup>th</sup> March 2023. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on 6<sup>th</sup> April 2023 i.e upon completion of 30 days of being continuously overdue. If the account continues to remain overdue, it shall get tagged as SMA-2 upon running the day-end process on 6<sup>th</sup> May 2023, and if continues to remain overdue further, it shall get classified as NPA upon running the day-end process on 5<sup>th</sup> June 2023 and shall remain NPA until the customer repays all the arrears of interest and principal.*