

# Non-Performing Assets

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The classification of a loan/other credit facilities account as Special Mention Accounts (“**SMA**”)/ Non-Performing Asset (“**NPA**”) is dependent on the period for which any payment, including Principal and/ or Interest and/or other dues, remains overdue from a borrower. In this regard, it must be noted that an amount shall be treated as overdue if it is not paid on the due date fixed/agreed for the loan/other credit facilities.

## Due Date

‘**Due date**’ is the specified date on which, the Borrower is required to make payment of the principal amount due and/or any applicable dues or the interest arising from the loan/other credit facilities, to the NBFC as defined in the repayment schedule forming part of the loan agreement.

## Overdue

The borrower account shall be treated as ‘overdue’ if the whole or part of the principle/interest/both/any applicable dues is not paid on/before the due date.

## Special Mention Account (SMA) and Non-Performing Asset (NPA)

As per the RBI norms, borrower whose accounts are overdue shall be **flagged and classified into categories of SMA or NPA** on a daily basis, as per the table below, by the NBFC as part of their **day-end processes**.

Overdue Period	Asset Classification
Upto 30 days	SMA-0
More than 30 days and upto 60 days	SMA-1
More than 60 days and upto 90 days	SMA-2
More than 90 days	NPA-Substandard/Doubtful 1/Doubtful 2/Doubtful 3

## Upgradation from NPA

Borrowers classified as NPAs shall be upgraded as ‘**standard**’ only when the **entire arrears** of interest, principal and any other dues is paid by the borrower, in respect of all outstanding credit facilities.

### **Illustrations**

*All dates/amounts mentioned herein are for illustration purpose only. Examples of due dates/repayment dates do not represent an indicative repayment schedule.*

#### **(i) Asset Classification**

If due date of a loan account repayment is July 03, 202X and the payment is not received by SEFL before the **day-end process** for July 03 is run, then the account shall be classified as an overdue account as on July 03, 202X.

The indicative SMA/NPA classification for the borrower shall be as follows:

<b>Overdue Period</b>	<b>Asset Classification</b>	<b>SMA/NPA Classification Date</b>
Upto 30 days	SMA-0	Jul 03, 202X
More than 30 days and upto 60 days	SMA-1	Aug 02, 202X
More than 60 days and upto 90 days	SMA-2	Sept 01, 202X
More than 90 days	NPA	Oct 01, 202X

Accordingly, if due date of a loan account is July 03, 202X, and full dues are not received by SEFL on or before the day end process then the date of overdue shall be July 03, 202X and this account shall be **tagged as SMA-0**.

If the loan account continues to remain overdue then this account shall be **tagged as SMA-1** on August 02, 202X, i.e. after completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be August 02, 202X.

If the loan account continues to remain overdue, it shall be **tagged as SMA-2** on September 01, 202X, i.e. after completion of 60 days of being continuously overdue. Accordingly, the date of SMA-2 classification for that account shall be September 01, 202X.

Similarly, if the loan account continues to remain overdue further, it shall be classified as **NPA** upon running day-end process on October 01, 202X.

This borrower shall be upgraded to standard once the entire overdue/arrears of principal and interest are paid for all outstanding credit facilities.

#### **(ii) Upgradation**

Due Date	Amount Due	Repayment Date	Repayment Amount
Jul 03, 202X	Rs. 1,00,000	Not Paid/Default	NA
Aug 02, 202X	Rs. 1,00,000	Not Paid/Default	NA
Sept 01, 202X	Rs. 1,00,000	Not Paid/Default	NA
Oct 01, 202X	Rs. 1,00,000	Not Paid/Default	NA
Nov 01, 202X	Rs. 1,00,000	Not Paid/Default	NA
NA	NA	Nov 15, 202X	Rs. 4,00,000

In the above example, the borrower will be classified as NPA on October 01, 202X i.e., on the 91<sup>st</sup> day, with four overdues. As on November 01, 202X total overdue is Rs. 5,00,000.

Subsequently, on November 15, 202X, the borrower repays four out of five overdues. After the day end process of November 15, 202X, the borrower will not be upgraded to 'Standard' and will continue to remain an 'NPA'. This is because once classified as an NPA the borrower needs to repay the **entire arrears** of interest, principal and any other dues before the borrower account can be upgraded to standard i.e., Rs. 5,00,000.

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