

CUSTOMER AWARENESS LITERATURE ON SMA/NPA

Introduction:

The Reserve Bank of India (RBI) released “Prudential Norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances – Clarifications” on November 12, 2021 to be read in conjunction with Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated October 1, 2021.

Objective:

With a view to increasing awareness among borrowers of InnoVen Capital India Private Limited (InnoVen), this document covers the concept of SMA, NPA & related provisions for ease of understanding.

The examples quoted herein are indicative and relate to general scenarios and are not exhaustive in nature. The guidelines issued & amended by RBI from time to time shall prevail for implementation.

Date of overdue:

Account will be flagged as an **overdue account as on running day-end processes** (irrespective of time of running such process) if any amount due remains unpaid as on running day-end processes (irrespective of time of running the processes). The amount may refer to principal or interest or any other amount due (whether wholly or partially).

Days Past Due (DPD):

It is the number of days for which your account has remained in overdue status.

If on the due date, full dues are not received before its day-end processes are run, the account shall become overdue by 1 day (i.e., 1 DPD).

The borrower needs to ensure that all payments due are received & realised by InnoVen before its day end processes are run on or before the due date. Further, the due date falls on a non-working day, the borrower has to ensure that the repayment is made on or before the due date.

Example for date of overdue:

If **due date** of a loan account is **March 31, 20****, 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, 20****.

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:

SMA/NPA	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	An account remaining overdue for up to 30 days
SMA-1	An account remaining overdue for more than 30 days & up to 60 days
SMA-2	An account remaining overdue for more than 60 days & up to 89 days
NPA	An account remaining overdue for 90 days* or above

Example:

SMA-1 Classification:

In continuation of above example, if the account remains overdue upon running April 30, 20** day-end process it will be classified as SMA-1.

SMA -2 Classification:

Similarly, if the above account remains overdue upon running May 30, 20** day-end process it will be classified as SMA -2.

NPA Classification:

Aforementioned account if remains overdue upon running June 29, 20** day-end process it will be classified as NPA.

If one of facility/ loan granted to borrower gets classified as SMA/NPA, all the other facilities/ loans availed from Innoven shall also get classified as SMA/NPA. For example, if borrower avails two loans from Innoven and only one loan account is in overdue status, both the loans shall tagged as “Overdue” even if the 2nd loan is duly serviced or is in current status.

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.

Existing instructions as specified for accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc shall continue to be applicable.

Case Study:

Sr. No	Date	Particular	Remarks
1.	June 30, 20**	Non-payment at the time running day-end process.	Date of overdue
2.	July 30, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-1
3.	August 29, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as SMA-2
4.	September 28, 20**	Non-payment subsists at the time of running day-end process.	Account to be classified as NPA

Account classified as NPA shall only be upgraded to standard once the all-previous dues including interest and payment are received by the Company.