

RBI instructions on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances dated 12th November 2021.

With reference to the RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04 .048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' dated 12th November 2021, the following clarifications may kindly be noted.

1. Clarification on 'Overdue'

An amount is to be treated as 'Overdue' if it is not paid on the due date fixed by the Company.

2. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

The RBI circular DBR.No.BP.BC.45/21.04.048/2018-19 dated 7th June, 2019 on 'Prudential Framework for Resolution of Stressed Assets' requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). It is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

Loans other than revolving facilities	
SMA Sub-categories	Basis for classification — Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Principal or interest payment not overdue for more than 30 days
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day-end of that calendar date. An illustration of such classification is as follows:

Case (a): Loans with EMI Structure:-

SMA Categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	
SMA-0	Upto 30 days	If a customer takes a loan on 1st April 2023 and repayment is made without default till 05 th Dec 2023 and subsequent repayments are not made. Then the loan will fall in SMA 0 on 06 th Dec.2023
SMA-1	More than 30 days and upto 60 days S (31-60 days)	SMA 1 on 06 th Jan 2024
SMA-2	More than 60 days and upto 90 days S (61-90 days)	SMA 2 on 05 th feb.2024
NPA	More than 90 days	The loan will be treated as NPA upon running day-end process on 06 th Mar 2024

Case (b): Gold Loan:-

SMA Categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	A customer takes a loan on 1st Jan 2023 with maturity date as on 31 Dec 2023 (12 month scheme) and If the Principal or interest payment or any other amount wholly or partly overdue in such loan on 31 Dec 2021, then the loan will fall in
SMA-0	Upto 30 days	SMA 0 on 31 Dec 2023
SMA-1	More than 30 days and upto 60 days S (31-60 days)	SMA 1 on 30th Jan. 2024
SMA-2	More than 60 days and upto 90 days S (61-90 days)	SMA 2 on 29th Feb. 2024
NPA	More than 90 days	The loan will be treated as NPA upon running day-end process on 30.03.2024

In the above context, it is further clarified that borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such process.

3. NPA Classification in case of interest payments.

In case of interest payments in respect of term loans, an account will be classified as NPA, if the interest applied at a specified date remains overdue for more than 90 days. These instructions shall be effective from 31st March, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after 31st March, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days.

4. Upgradation of accounts classified as NPAs

In this regard, it is clarified that loan accounts classified as NPAs may be upgraded as 'Standard' asset only if entire arrears of interest and principal are paid by the borrower.