

Lendingkart Finance Limited

Customer Awareness - Regarding Classification of Loan Account as SMA and NPA

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 Nov. 12, 2021

A. Clarification on Overdue: An amount is to be treated as overdue if it is not paid on the due date fixed by the Lender (before the Lender runs the day-end process for that day). **Due Date** is the date as specified in the Repayment Schedule on which the instalment is due to be paid.

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

The below illustration covers the concepts of date of overdue, classification as Special Mention Account ("SMA") and Non-Performing Asset (NPA), upgradation of loan account etc.

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	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
NPA	More than 90 days	NPA	More than 90 days

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

Classification as:	Scenario I	Scenario II
Original due date	5 April 20XX	2 April 20XX
SMA 0	5 April 20XX end of day	2 April 20XX end of day
SMA 1	5 May 20XX end of day	2 May 20XX end of day
SMA 2	4 June 20XX end of day	1 June 20XX end of day
NPA	4 July 20XX end of day	1 July 20XX end of day

C. Upgradation of accounts classified as NPAs

Customer classified as NPAs may be upgraded as 'standard' only if **entire arrears** of interest and principal are paid by the customer. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

For e.g. if a customer is classified as NPA on 4 July 2022 with an overdue of Rs. 50,000/-, the customer will be upgraded to standard only after receipt of full overdue amount.

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