

Illustration on due dates and NPA classification

Definitions

NPA (Non-performing Assets): A Non-performing asset (NPA) is defined as a credit facility in respect of which the interest and/or instalment of principal has remained 'past due'/overdue for more than 180 days. Once an account is classified as NPA then it shall be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower.

The extant NPA classification norm is changed to the overdue period of more than 90 days under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. A glide path is provided to applicable NBFCs to adhere to the 90 days' NPA norm as under –

NPA Norms	Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
> 90 days	By March 31, 2026

DPD (Days past due): With respect to a particular loan, the number of days till day for which any principal/ interest/ EMI or any of its instalment for that loan is overdue and not paid as at day end process.

SMA (Special Mention Account): Special Mention Accounts is an account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of his/ her debt obligations, though the account has not yet been classified as NPA as per the extant RBI guidelines. The Special Mention Account identification is an effort for early stress discovery of bad loans.

SMA Subcategories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Upto 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 120 days

POS (Principle Outstanding): The outstanding principal balance of a loan/ credit facility is simply the total amount of principal amount outstanding in the particular loan which doesn't include the accrued interest, default interest, other charges etc.

Overdue: Any amount due to the lender under any credit facility is 'overdue' if it is not paid on the due date fixed by the lender. If there is any overdue in an account, the default/ non-repayment is reported with the credit bureau companies like CIBIL etc. and the CIBIL report of the customer will reflect defaults and its classification status

Classification of accounts as SMA/ NPA:

The borrower accounts get flagged as overdue by the lenders as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run.

Illustration on Date of Overdue and SMA/NPA Classification:

If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021, i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021. Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process as per extant asset classification norms.