

# **Consumer Education**

## **Overdue, SMA/NPA Classification, Day-End Process and Upgradation of Loan Account**

This has reference to Reserve Bank of India (RBI) circular on “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances”.

### **1) Overdue**

Any amount due to the Corporation under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the Corporation.

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

‘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)**.

#### **Criteria of SMA-Categorisation**

<b>SMA Sub-categories</b>	<b>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue</b>
SMA-0	Upto 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days

#### **Non-Performing Asset (NPA)**

In respect of any borrower’s account which becomes overdue for more than 90 days, shall be classified as NPA.

### **3) Classification of Borrower Accounts as SMA/ NPA as Part of Day-End Process**

The borrower accounts shall be flagged as overdue by the Corporation as part of their day-end processes for the due date. 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. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

**Example:** 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 on June 29, 2021.

### **4) Upgradation**

Loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower.

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Note: PFC maintains its books of accounts as per IndAS & classification of borrowers is done accordingly.