

CONSUMER EDUCATION LITERATURE

The Concepts on Date of Overdue, SMA and NPA Classification and Upgradation

In reference to RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 - **Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications**, Spandana Sphoorty Financial Limited (SSFL) is required to immediately classify the defaulter account as special mention account (SMA). The Company is obliged to share the information of borrower or customer who committed default with Credit bureau and other financial institutions/authorities.

The manner of SMA classification is given below.

Case (a): Loans with EMI Structure

SMA Sub-categories	Loans other than revolving facilities	Loans in the nature of revolving facilities like cash credit/overdraft
		Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Up to 30 days	-
SMA-1	More than 30 days and up to 60 days	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	More than 60 days and up to 90 days

It is further clarified that borrower accounts shall be flagged as overdue by Spandana Sphoorty Financial Limited as part of their day-end processes for the due date, irrespective of the time of running such processes.

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.

It is further clarified that the instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of Spandana Sphoorty Financial Limited.

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.

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.

Example:

If due date of a loan account is March 31, 2023, and full dues are not received by SSFL (lender) before it closes the day-end process for the said date, the date of overdue shall be 31st March 2023. If it continues to remain overdue and SSFL doesn't receive the amount by the end process on April 30th 2023 i.e. upon completion of 30 days of being continuously overdue, then the account will be tagged as SMA-1. That means, the date of SMA-1 classification for that account shall be April 30, 2023. Similarly, if the account continues to remain overdue, it shall get tagged as SMA 2 upon closing the day-end process on May 30, 2023, and if continues to remain overdue further, it shall get driver classified as NPA upon closing day-end process on June 29, 2023.