



Understanding SMA and NPA Classification

As per the Reserve Bank of India's Master Direction – Reserve Bank of India (Non-Banking Finance Company – Scale Based Regulation) Directions, 2023, all NBFCs are required to enhance borrower awareness by publishing consumer education material on their websites.

What Does 'Due', 'Overdue', and 'Due Date' Mean?

- **Due:** Indicates the principal/interest/any amount levied on the loan account which are payable within the period stipulated as per the terms of credit facility extended by the company.
- **Due date/repayment date:** It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement.
- **Overdue:** An amount is to be treated as overdue if it is not paid on the due date fixed by the NBFCs. The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, shall be clearly specified in the loan agreement. The borrower accounts shall be flagged as overdue by the lending institutions as part of their day end processes for the due date.

What is SMA (Special Mention Account)?

SMA classification helps identify early signs of stress in loan repayments. As soon as a payment is overdue, the account may be classified as SMA, as per the number of days overdue.

SMA Category	Days Overdue	Meaning
SMA-0	1 to 30 days	Payment is slightly delayed.
SMA-1	31 to 60 days	Delay has continued for over a month.
SMA-2	61 to 90 days	Delay has extended for two months.

In the above context, it is further clarified that classification of borrower accounts as SMA as well as NPA shall be done as a part of day-end process on the relevant due date. 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.

What is NPA (Non-Performing Asset)?

If the overdue amount remains unpaid for more than 90 days, the loan is classified as NPA.

Current Glide Path for NPA Classification:

The extant NPA classification norm stands changed to the overdue period of more than 90 days for applicable NBFCs. A glide path is provided to applicable NBFCs to adhere to the 90 days NPA norm as under:

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



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Illustration: How SMA/NPA Classification Works

Let's say your monthly EMI is due on April 5, 2024:

Date	Payment Status	Classification
April 5, 2024	EMI not paid	SMA-0
May 5, 2024	EMI still unpaid + May EMI unpaid	SMA-1
June 4, 2024	EMI still unpaid + Apr & May unpaid	SMA-2
July 4, 2024	EMI still unpaid + Apr, May, June unpaid	NPA

Upgradation of Accounts classified as Non-Performing Asset (NPA):

The loan account classified as NPA can be upgraded as "Standard" only if the entire arrears of interest, principal, and any other amount due are paid in full and there is NIL arrears upon running day end process of that calendar date. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.

Important Notes:

- Repayment terms (EMI amount, frequency, due dates) are clearly stated in your loan agreement.
- Keep track of your due dates to avoid classification as SMA or NPA.
- This classification is part of a regulatory framework to encourage timely repayment and ensure financial discipline.
- These norms are subject to change based on RBI directions.