



Customer Education Guidelines:

This document aims to educate borrowers about key concepts such as dues, overdue amounts, Special Mention Accounts (SMA), Non-Performing Assets (NPA), and the conditions for upgrading loan accounts, in accordance with regulatory guidelines issued by the Reserve Bank of India (RBI).

Understanding Dues and Due Dates

Dues refer to the total amount payable by the borrower, including principal, interest, and any applicable charges, as per the agreed loan terms.

The due date is the specific date by which the borrower is required to make the payment, as defined in the loan agreement.

What Does “Overdue” Mean?

An amount becomes overdue when it remains unpaid beyond the specified due date. In simple terms, any payment—whether principal, interest, or charges—not paid on time is classified as overdue.

Classification of Loan Accounts: SMA and NPA

As per RBI guidelines, lending institutions monitor loan accounts closely and classify them based on the number of days payments remain overdue. This helps in identifying early signs of financial stress.

Special Mention Accounts (SMA)

For loans other than revolving facilities, the classification is as follows:

Category	Overdue Period
SMA-0	Up to 30 days
SMA-1	31 to 60 days
SMA-2	61 to 90 days

Non-Performing Asset (NPA)

A loan account is classified as an **NPA** when any payment (principal or interest) remains overdue for **more than 90 days**.

Illustration I: If due date of a loan account is March 31, 2021, and full dues are not received before the NBFC 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.

This classification is determined automatically based on the number of days overdue, typically during the lender's end-of-day processing.

Upgradation of NPA Accounts

An account classified as NPA can be upgraded back to a Standard Account only when:

- All outstanding dues (principal, interest, and charges) are fully cleared, and
- There are no pending amounts as per the lender's records at the end of the day.

Partial payments will not result in upgradation.

Impact on Borrowers

If a loan account is classified under **SMA or NPA**:

- The status is reported to Credit Information Companies (CICs)
- This may negatively affect the borrower's credit score and credit history
- It may also impact future borrowing eligibility

Important Note

For detailed guidelines on asset classification and provisioning, please refer to the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025. The above asset and SMA classification norms are subject to revision in accordance with regulatory instructions issued from time to time.