



THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED

Customer Education Literature on Special Mention Account (SMA) and Non Performing Asset (NPA) Classification

The Zoroastrian Co-operative Bank Ltd. is providing herewith Consumer Education Literature, in compliance to RBI Master Circular on "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances", is created to facilitate the consumer to have awareness on the concept of date of overdue, SMA and NPA classification and Upgradation, with specific reference to day-end process. It is to be noted that the content of this document is illustrative in nature and as such, the IRAC norms and clarifications provided by RBI will prevail for implementation in case of actual occurrences of SMA and NPA.

1. What is the meaning of the term 'Dues'?

The term 'Dues' mean, the principal / interest/ any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

2. What is the meaning of the term 'Over Dues'?

'Over Dues' mean the principal / interest/ any charges levied on the loan account which are payable, but have not been paid on or before the period stipulated as per the terms of sanction of the credit facility.

3. What is "Overdue" in the context of a loan with the lending institution?

Any amount due to the lending institution under any credit facility is 'Overdue' if it is not paid on or before the Due date fixed by the lending institution.

4. What is a Stressed Account?

Borrowers are required to pay the EMI/ instalment / interest at periodic intervals as per the terms agreed before availing of the loan. In case such EMI / Instalments / interest dues are not paid on or before the due date on agreed terms, such account is called as a 'stressed account'.

5. What is a Special Mention Account (SMA)?

A Loan account showing symptoms of stress as evidenced by a default in payment of dues will be classified as 'Special Mention Accounts (SMA)'. Such accounts if not regularized within 90 days gets classified as 'Non Performing Asset (NPA)



6. How SMA are categorized?

SMA's are classified under following Sub-categories as under:-

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit / overdraft	
SMA Subcategories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between;	SMA Subcategories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Up to 30 days		
SMA-1	More than 30 days and up to 60 days	SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	SMA-2	More than 60 days and up to 90 days

7. What are Non-performing Assets and its Categories:

In a credit facility/ies where stress/delinquency/ short comings as indicated below are observed, such borrowal accounts are classified as Non- Performing Assets (NPA).

- Interest and/ or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- 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.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- Agricultural Loans:** The installment of principal or interest thereon remains overdue for two crop seasons in respect of short duration crops, and, remains overdue for one crop season in respect long duration crops
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC) facility as under:
 - the outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
 - the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the 'previous 90 days period'. (Note: The 'Previous 90 days period' for determination of 'out of order' status of CC/OD account shall be inclusive of the day for which the day-end-process is being run by the lending institution.)
- An account where the regular / ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date / date of ad hoc sanction.



- g. Where Loans / Limits have been sanctioned against the Security of Stock & Book debts, and, in such cases, if the position of such Stock & Book debts is not submitted to the lenders to determine the Drawing Power, the outstanding in the account based on the Drawing Power calculated from Stock & Book Debts Statement older than three months would be deemed as 'irregular', and, if such irregularity exists for a continuous period of 90 days, the account will be classified as NPA.

Advances against term deposits, National Savings Certificate (NSCs) eligible for surrender, Indira Vikas Patra (IVPs), Kisan Vikas Patra (KVPs) and life policies will not be treated as NPAs only if stipulated margin is maintained in the accounts. However, advances against gold ornaments, government securities and all other securities are not covered by this exemption.

8. What is a Project loan? How is a project loan classified as non-performing?

'Project Loan' means any term loan which has been extended for the purpose of setting up of an economic venture. 'Date of Commencement of Commercial Operations' (DCCO) will be documented by the Bank at the time of financial closure of the project. Bank may restructure project loans, by way of revision of DCCO without classifying the account as NPA subject to regulatory guidelines. A project loan would be classified as NPA as per record of recovery (90 days overdue) or if project has not commenced operations by stipulated DCCO / deferred DCCO or DCCO is extended beyond the regulatory permissible periods or DCCO extensions are not as per regulatory conditions.

9. Give Examples for classification of a loan as SMA-0, SMA-1 , SMA-2 and NPA:

9.1 In respect of accounts where EMI / Installments are payable:

Example: If due date of a loan account is March 31, 2022, 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, 2022 and the account will be classified as SMA0 as on 29.04.2022, If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on May 29, 2022 i. e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be May 29, 2022. Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on June 28, 2022 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2022.

Loans other than revolving facilities (including Cash credit / overdraft with monthly reducing balance): If the overdues in the loan account continue beyond 90 days, the account shall be classified as Non-Performing Asset (NPA) on 91st day.

9.2 In respect of accounts in the nature of revolving facilities like cash credit / overdraft the account turns into an NPA when:

If CC/ OD account continues to remain continuously out of order, beyond 30 days, the account will be classified as SMA-1 on 31st day. If CC/ OD account continues to remain continuously out of order, beyond 60 days, the account will be classified as SMA-2 on 61st day. If CC/ OD account remains continuously out of order as explained, the account will be classified as NPA on 91st day.



9.3 Renewal Pending:

Regular and ad hoc credit limits need to be reviewed / regularized not later than three months from the due date / date of ad hoc sanction. In case of constraints such as no availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal / review of credit limits is already on and would be completed soon. In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular / ad hoc credit limits have not been reviewed / renewed within 180 days from the due date / date of ad hoc sanction will be treated as NPA. If the due date for renewal is 31-03-2025 and if the limit is not renewed till 26th Sep 2025, such account will be classified as NPA during Day end Process run on 26-09-2025.

9.4 Non Submission of Stock & Book Debt Statement:

If a CC / OD account is sanctioned against hypothecation of stock & book debts, the borrower has to submit the stock and book debt statements periodically to facilitate lenders to determine Drawing Power under the account. The outstanding in the account based on the Drawing Power calculated from stock & Book debts statements older than three months would be deemed as 'irregular'. If such irregularity exists for a continuous period of 90 days, the account will be classified as NPA.

10. At what periodicity the lending institutions undertake the classification of Accounts as SMA or NPA?

Lending institutions undertake the process of classification of Accounts as SMA / NPA on daily basis during the Day-end-Process.

11. Whether all loan accounts of the borrower is classified as NPA if one of his loan account turns NPA?

Yes, NPA classification is borrower wise and not account wise. Hence if one loan account of the borrower is classified as NPA, all other loan accounts of the borrower also will be classified as NPA.

12. Whether amount paid/deposited during the day is considered during the NPA marking process?

Credits received before the day-end-process are considered for calculation of delinquency at the time of undertaking the Asset Classification process. Any credit received subsequently are treated as receipts for the subsequent day.

13. What is restructuring and what is asset classification if an account is restructured?

Restructuring may involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount

/ the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility / release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months. Any restructuring of facility on account of financial difficulty of borrower will result in classification of account as NPA.



However, in case of loans at floating rate of interest (ROI), the EMI amount and/or tenor of the loan, etc. may undergo a change, if the ROI rate has changed. Such change in the EMI amount or the tenor of the loan is not construed as restructuring.

14. How borrower accounts are upgraded to regular status after being classified as NPA?

A loan account, classified as NPA will be upgraded to Standard Asset only upon regularization of all loan accounts of the borrower having arrears and rectification of attendant irregularities relating to Review/ Renewal & Stock & book debts of the borrowal account .

15. What is the impact on the borrower if account is slipped to Stress/NPA?

As per the regulatory guidelines Bank has to report Stress/Default /NPA to Central Repository Information of Large Credit (CRILC), Credit Information Companies etc. from time to time which impact the credit history of the borrowers and attendant repercussions.

16. When will an account move into SMA or NPA? Can this be explained with an illustrative example?

The following table illustrates the movement of an account to SMA and further to NPA based on delay / non-payment of dues and subsequent upgrade to Standard category at day end process:

Due date of payment	Payment date	Payment covers	Age of oldest dues in days	SMA or NPA Classification	SMA or NPA reporting date
01.01.2022	01.01.2022	Entire dues up to 01.01.2022	0	NIL	NA
01.02.2022	01.02.2022	No payment or Part payment of dues of 01.02.2022	1	SMA-0	01.02.2022
01.02.2022	02.02.2022	No payment or Part payment of dues of 01.02.2022	2	SMA-0	01.02.2022
01.03.2022		Dues of 01.02.2022 not fully paid 01.03.2022 is also due at EOD 01.03.2022	29	SMA-0	01.02.2022
		Dues of 01.02.2022 fully paid, Due for 01.03.2022 is not paid at EOD 01.03.2022	1	SMA-0	01.03.2022
		No payment of full dues of 01.02.2022 and 01.03.2022 at EOD 03.03.2022	31	SMA-1	01.02.2022/ 03.03.2022



Due date of payment	Payment date	Payment covers	Age of oldest dues in days	SMA or NPA Classification	SMA or NPA reporting date
		Dues of 01.02.2022 fully paid, due for 01.03.2022 not fully paid at EOD 01.03.2022	1	SMA-0	01.03.2022
01.04.2022		No payment of dues of 01.02.2022, 01.03.2022 and amount dues on 01.04.2022 at EOD 01.04.2022	60	SMA-1	01.02.2022/ 03.03.2022
		No payment of dues of 01.02.2022 till 01.04.2022 at EOD 02.04.2022	61	SMA-2	01.02.2022/ 02.04.2022
01.05.2022		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 01.05.2022	90	SMA-2	01.02.2022/ 02.04.2022
		No payment of dues of 01.02.2022 till 01.05.2022 at EOD 02.05.2022	91	NPA	02.05.2022
01.06.2022	01.06.2022	Fully paid dues of 01.02.2022 at EOD 01.06.2022	93	NPA	02.05.2022
01.07.2022	01.07.2022	Paid entire dues of 01.03.2022 & 01.04.2022 at EOD 01.07.2022	62	NPA	02.05.2022
01.08.2022	01.08.2022	Paid entire dues of 01.05.2022 & 01.06.2022 at EOD 01.08.2022	32	NPA	02.05.2022
01.09.2022	01.09.2022	Paid entire dues of 01.07.2022 & 01.08.2022 at EOD 01.09.2022	1	NPA	02.05.2022
01.10.2022	01.10.2022	Paid entire dues of 01.09.2022 & 01.10.2022	0	Standard account with no overdue	STD from 01.10.2022

(Note: It is to be noted that the content of consumer education as stated above is illustrative in nature and as such, the IRACP norms and clarifications provided by RBI will prevail for implementation from time to time).

***** End of Document *****