

CUSTOMER EDUCATION LITERATURE

PREAMBLE:

With a view to increasing awareness among the borrowers, the Reserve Bank of India, vide its circular No. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dated 12th November 2021, advised all lending institutions to place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. Accordingly, IndusInd Bank has framed a note on such concepts for the purpose giving clarity to its customers.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):

The Bank would recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). In order to remove any ambiguity, it is clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as follows:

Loans other than revolving facilities	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
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” or “NPA”

In accordance with the provisions of the RBI’s Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated October 1, 2021 , a Non-Performing Asset (NPA) is a loan or an advance where:

1. Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan
2. The account remains 'out of order' as indicated below, in respect of an Overdraft / Cash Credit (OD / CC)
3. A Credit Card account will be treated as non-performing, if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the due date mentioned in the statement
4. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted
5. The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops



6. The instalment of principal or interest thereon remains overdue for one crop season for long duration crops
7. The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021
8. In respect of derivative transactions, the overdue receivables representing positive markto-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment

CC/ OD – Account treated as Out of Order

An account will be treated as Out of order, if it meets any of the criterion below

- the outstanding balance in your CC/OD Account remains continuously in excess of the sanctioned limit/drawing power for 90 calendar 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 calendar 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 day calendar period.

Change of Classification of Account Status

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

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 the lending institution.

NPA classification in case of interest payments

In terms of paragraph 2.1.3 of the [Master Circular on IRACP norms dated October 1, 2021](#), in case of interest payments, an account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. In order to fully align with the 90 days delinquency norm as well as the requirement to apply interest at monthly rests, the above instructions are modified as under:

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.

These instructions shall be effective from March 31, 2022. Accordingly, in respect of any borrower account which becomes overdue on or after March 31, 2022, its classification as NPA shall be based on the account being overdue for more than 90 days.

Upgradation of accounts classified as NPAs

Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

NPA Classification at Borrower Level

As per RBI circular, RBI/2021-2022/104 DOR.No.STR.REC.55/21.04.048/2021-22, NPA classification will be initiated at a borrower level and not facility wise.

