



Laxmi India Finleasecap Private Limited

(Sapne Dekho Bade Dekho Humare Sath Unhe Pura Hote Dekho)

CIN: U65929RJ1996PTC073074 | Phone: +91-141-4031166

Registered Office: 2 DFL, Gopinath Marg MI Road, Jaipur-302001, IN

Email ID: info@lifc.in | Website: www.lifc.co.in | Toll Free Number: 1800-121-7747

RBI instructions on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances dated 12th November, 2021.

With reference to the recently issued RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications' dated 12th November, 2021, the following clarifications may kindly be noted.

Key Highlights of revised NPA Norms

1. The timelines for **Special Mention Account (SMA)** categorization have been modified, the overdue timeline for SMA 0, SMA 1 and SMA 2 shall be Upto 30, more than 30 Upto 60 and more than 60 Upto 90 days. Please refer to the note below for details.
2. The Classification of borrower accounts as Special Mention Account (SMA) as well as Non-Performing Asset (NPA) shall be done as part of the day-end process for the relevant date. The SMA or NPA classification date shall be the calendar date for which the day end process is run. The said SMA classification of borrower accounts are applicable to all loans.
3. Loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower.
4. In cases of loans where moratorium has been granted for repayment of interest, lending institutions may recognize interest income on accrual basis for accounts which continue to be classified as 'standard'.
5. If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest corresponding to the interest accrued during such moratorium period need not be reversed.

1. Clarification on 'Overdue'

An amount is to be treated as 'Overdue' if it is not paid on the due date fixed by the Bank or NBFC.

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

The RBI circular DBR.No.BP.BC.45/21.04.048/2018-19 dated 07th June, 2019 on 'Prudential Framework for Resolution of Stressed Assets' requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA). 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

Accordingly, the date of SMA/NPA shall reflect the asset classification status of the loan account, at the day-end of that calendar date. An illustration of such classification is as follows:

- SMA 0 - If due date of a loan account is 31st March, 2021, and full dues are not received on this date, the account shall be SMA 0 on day end of 31st March, 2021.
- SMA 1 - If the account continues to remain overdue, then this account shall get tagged as SMA-1 upon completion of 30 days of being continuously overdue i.e. 30th April, 2021.
- SMA 2 - If the account continues to remain overdue, it shall get tagged as SMA-2 on 30th May, 2021.
- NPA – If the account continues to remain overdue further, it shall get classified as NPA on 29th June, 2021.

As per RBI's guidelines, the lending institutions will flag borrower accounts as overdue at the day-end processes for the due date, irrespective of the time of running such processes. The classification of borrower accounts as SMA or NPA shall also be done as part of the day-end process for the relevant date. In other words, the SMA or NPA classification date shall be the calendar date for which the day end process is run.

3. Up gradation of accounts classified as NPAs

For upgrading accounts classified as NPAs to 'standard' asset category upon payment of only interest overdues, partial overdues, etc. or upon the DPD (days past due) status coming below 90 days.

The loan accounts classified as NPAs may be upgraded as 'standard' assets only if entire arrears of interest and principal are paid by the borrower. Partial payment, such as payment of only interest or only one installment, shall not result in the upgradation of the loan account.

Once a loan account is classified as an NPA, it shall remain as such till the time the entire outstanding amount is repaid.