NOTICE

Concepts, clarifications and illustrative examples on due dates and specification of SMA/NPA classification dates

Dues:
Refers to the principal, interest, or any charges levied on the loan account which are payable within the period stipulated as per the terms of sanction of the credit facility.

Overdue:
Refers to the principal, interest or any charges levied on the loan account which are payable, but have not been paid within the period stipulated as per the terms of sanction of the credit facility. In other words, any amount due to the Bank under any credit facility is considered 'overdue' if it is not paid on the due date fixed by the Bank.

Relevance of the principle of 'First In, First Out' (FIFO) in appropriation of payments into the borrowal account:
The principle of FIFO (First In, First Out) accounting method is relevant for determining the number of days for which an amount remains overdue and, consequently, for classifying an account as SMA or NPA. The FIFO principle assumes that the oldest outstanding dues in the loan account needs to be cleared first. The FIFO method thus requires that what is due first must be paid by the borrower first.

For example,
If in any loan account, there are no overdue as on 01.02.2026, and an amount of ₹X becomes due towards principal instalment, interest, and/or charges. Any payment credited to the loan account on or after 01.02.2026 shall first be appropriated towards the dues that became outstanding on 01.02.2026.

Assuming that nothing is paid/or partial payment of ₹Y of dues has been received during the month of February 2026. the overdue as on 01.03.2026 will be ₹X-Y. Additionally, an amount of ₹Z becomes due as on 01.03.2026. Now any payment/partial payment into account on or after 01.03.2026 will be first utilised to pay off the partial due of 01.02.2026 (₹X-Y). If there is more recovery than the ₹X-Y, then after recovering dues of 01.02 2026, the remaining amount will be treated as recovery towards due of 01.03.2026.

Age of oldest dues:
The age of oldest dues is reckoned in days from the date on which the oldest payment is due and continues to remain unpaid. In the aforesaid illustration, if the dues relating to 1st February 2026 remain unpaid till 01.03.2026, the age of the oldest dues is reckoned as 29 days on 02.03.2026.

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)
Lending institutions will recognise the incipient stress in loan accounts, immediately on default, by classifying them as Special Mention Accounts (SMA). The basis of classification of SMA/NPA category shall be as follows:

Loans in the nature of Term Loans		**Loans in the nature of Cash Credit/Overdraft**	
SMA Sub-categories	Basis for SMA Sub-c classification — Principal or interest payment or any other amount wholly or partly overdue	SMA Sub-categories	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	Upto 30 days		
SMA-1	More than 30 days and upto 60 days	SMA-1	More than 30 days
SMA-2	More than 60 and upto 90 days	SMA-2	More than 60 and upto 90 days

However, in case of NBFCs, the reference to 90 days for SMA-2 / NPA classification to be read as per the applicable norms and also subject to the provisions of the RBI Circular: DOR.CRE.REC.No.60/03.10.001/2021- 22 dated October 22,2021on 'Scale Based Regulation (SBR):

A revised regulatory framework for NBFCs. Also, the asset classification norms of agricultural advances which are based on crop season shall continue as hitherto.

Non-Performing Asset:
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. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
4. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
5. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

'Out of Order' Status:
An account shall be treated as 'out of order' if:
- 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.

Illustrative movement of an account to SMA category to NPA category based on delay/non-payment of dues and subsequent upgradation to standard category at day end process:

Due date of payment	Payment Date	Payment covers	Age of oldest dues in days	SMA/NPA categorisation	SMA since date/SMA class date	NPA categorisation	NPA Date
01.01.2026	01.01.2026	Entire dues upto 01.01.2026	0	Nil	NA	NA	NA
01.01.2026	01.01.2026	Partly paid dues of 01.02.2026	1	SMA-0	01.02.2026	NA	NA
01.01.2026	02.01.2026	Partly paid dues of 01.02.2026	2	SMA-0	01.02.2026	NA	NA
01.03.2026		Dues of 01.02.2026 not fully paid 01.03.2026 is also due at EOD 01.03.2026	29	SMA-0	01.02.2026	NA	NA
		Dues of 01.02.2026 fully paid, Due for 01.03.2026 not paid at EOD 01.03.2026	1	SMA-0	01.03.2026	NA	NA
		No payment of full dues of 01.02.2026 and 01.03.2026 at EOD 03.03.2026	31	SMA-1	01.02.2026/ 03.03.2026	NA	NA
		Dues of 01.02.2026 fully paid, Due for 01.03.2026 not fully paid at EOD 1.03.2026	1	SMA-0	01.03.2026	NA	NA

Due date of payment	Payment Date	Payment covers	Age of oldest dues in days	SMA/NPA categorisation	SMA since date/SMA class date	NPA categorisation	NPA Date
01.04.2026		No payment of dues of 01.02.2026/01.03.2026 and amount due on 01.4.2026 at EOD 01.04.2026	60	SMA 1	01.02.2026/ 03 .03.2026	NA	NA
		No payment of dues of 01.02.2026 till 01.04.22 at EOD 02.04.2026	61	SMA 2	01.02.2026/ 02 .04.2026	NA	NA
01.05.2026		No payment of dues of 01.02.2026 till 01.05.22 at EOD 01.05.2026	90	SMA 2	01.02.2026/ 02 .04.2026	NA	NA
		No payment of dues of 01.02.2026 till 01.05.2026 at EOD 02.05.2026	91	NPA	NA	NPA	02.05.2026
01.06.2026	01.06.2026	Fully Paid dues of 01.02.2026 at EOD 01.06.2026	93	NPA	NA	NPA	02.05.2026
01.07.2026	01.07.2026	Paid entire dues of 01.03.2026 and 01.04.2026 at EOD 01.07.2026	62	NPA	NA	NPA	02.05.2026
01.08.2026	01.08.2026	Paid entire dues of 01.05.2026 and 01.06.2026 at EOD 01.08.2026	32	NPA	NA	NPA	02.05.2026
01.09.2026	01.09.2026	Paid entire dues of 01.07.2026 and 01.08.2026 at EOD 01.09.2026	1	NPA	NA	NPA	02.05.2026

Due date of payment	Payment Date	Payment covers	Age of oldest dues in days	SMA/NPA categorisation	SMA since date/SMA class date	NPA categorisation	NPA Date
01.10.2026	01.10.2026	Paid entire dues of 01.09.2026 and 01.10.2026	0	Standard Account with No Overdue	NA	NA	STD from 01.10.2026