

**Consumer Education Literature (Frequently Asked Questions): Prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP)**

(1) What is the meaning of “Dues”?

“Dues” means, the principal/interest/any charges levied on a Borrower Credit Facility which are payable within the period stipulated as per the terms of sanction of the said facility.

(2) What is the meaning of “Overdues”?

“Overdues” mean the principal/interest/any charges levied on a Borrower Credit Facility which are payable but have not been paid on or before the period stipulated as per the terms of sanction of the said facility.

(3) What is “Overdue” in the context of a loan with NaBFID?

Any amount due to NaBFID under any Borrower Credit Facility is “Overdue” if it is not paid on or before the due date agreed mutually between NaBFID and the Borrower as per the terms of sanction of the said facility.

(4) What is a “Stressed Account”?

Borrowers are required to pay the instalment/interest at periodic intervals as per the terms agreed before availing the loan. In case such instalment/interest dues are not paid on or before the due date on agreed terms, such Borrower account is called as a “Stressed Account”.

(5) What is a “Special Mention Account” (SMA)? How are SMAs categorized?

A Borrower Facility evidencing symptoms of stress as witnessed by any delinquency/default in payment of dues gets classified as “Special Mention Account” (SMA). Such an account, if not regularized within 90 days, gets classified as a “Non-Performing Asset” (NPA).

SMAs (for advances other than revolving facilities) are categorized as under:

SMA sub-categories	Basis for classification: Principal or interest payment or any other amount wholly or partly overdue between
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

(6) What is a “Non-Performing Asset” (NPA)?

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If any Borrower Credit facility evidence stress/delinquency/short comings as indicated below, all Credit Facilities provided to the Borrower gets classified as a Non-Performing Asset (NPA).

(a) Interest and/or principal instalment remains overdue for a period of more than 90 days in respect of a demand/term loan

(7) Examples for classification of a Credit Facility as SMA-0, SMA-I, SMA-2 and NPA:

*In respect of accounts where Interest and/or principal instalments are payable:*

(i) If due date of a Credit Facility is March 31, 2022, and full dues are not received before NaBFID runs its day-end process for this date, the date of overdue shall be March 31, 2022, and the account will be classified as SMA-0 as on March 31, 2022.

(ii) If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022, 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, 2022.

(iii) Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2022,

(iv) Further, if the account continues to remain overdue, it shall get classified as NPA upon running day-end process on June 29, 2022.

(8) At what periodicity NaBFID undertakes to classify Borrower Credit Facilities/Accounts as SMA or NPA?

NaBFID undertakes the process of classification of Accounts as SMA/NPA on a daily basis during the day-end-Process.

(9) Does all Credit Facilities of a Borrower get classified as NPA if one of the said facilities turns NPA?

Yes. NPA classification is borrower wise and not account wise. Hence if one Credit Facility of a Borrower gets classified as NPA, all other Credit facilities of the Borrower also get classified as NPA.

(10) Does any amount paid/deposited during the day get considered while processing NPA marking?

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 is treated as receipt for the next day.

(11) How are Borrower Accounts upgraded to regular status after being classified as NPA?

A Borrower Account, classified as NPA, gets upgraded to Standard Asset only upon regularization of all Credit facilities of the Borrower having arrears and rectification of attendant irregularities thereon.

(12) What is the impact on the Borrower if the Borrower Account slips to Stress/NPA?

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The extant regulatory guidelines mandate NaBFID to report Stress/Default/NPA to the **Central Repository Information of Large Credit** (CRILC), Credit Information Companies (CICs), etc. from time to time. This impacts the credit history of the Borrower(s) concerned and the attendant repercussions.

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**NB:** *It may be pertinent to note that the content of this Consumer Education Dossier is based on the extant regulatory framework and is illustrative in nature. The IRACP norms and clarifications/modifications provided by RBI shall always prevail on the said dossier for implementation.*