

RBI instructions on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances dated April 1st, 2022.

With reference to the recently issued RBI Master circular no. RBI/2022-2023/15 DOR.STR.REC.4/21.04.048/2022-23 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances' dated April 1st, 2022, below mentioned definitions/clarifications be noted. Readers are advised to refer latest RBI Circular in case any further clarification is required. Please note, below details are illustrative in nature and as such clarifications provided by RBI will prevail for implementation from time to time.

1. Repayment due dates for Term Loan

In Retail business the Repayment by EMI on Term Loan will fall due on dates as follows-

- a) Term Loan disbursed from 1st to 20th of a month: Repayment will start from the following* month (next month) on 5th day of every month.
- b) Term Loan disbursed from 21st and 31st of a month: Repayment would start from 2 months after the month of the disbursement (i.e., next to next month) on 5th day of the month.

The interest for the period before the start of repayment by EMI (i.e., Pre- EMI interest) shall be at the same interest rate at which EMI is arrived at.

Note: In case the dates are different with respect to your loan, please be guided by dates mentioned specifically in your loan agreement / Sanction letter / Welcome letter / Loan Card (only in case of Financial Inclusion (FI) Credit) for your specific loan

2. Repayment due dates for Dropline Overdraft

If the client concerned is a borrower of the bank enjoying a Dropline Overdraft facility from the bank repayment will fall on dates as follows:

- a) Interest to be paid on monthly basis on last day of every month.
- b) Principal to be paid on the agreed frequency -as captured in the sanction letter and loan agreement.

Note: In case the interest dates are different with respect to your loan, please be guided by dates mentioned specifically in your loan agreement / Sanction letter / Welcome letter for your specific loan.

3. Repayment due dates for Overdraft

If the client concerned is a borrower of the bank enjoying an Overdraft facility from the bank repayment will fall on dates as follows:

- a) Interest to be paid on monthly basis on last day of every month.
- b) Principal to be paid on the agreed frequency -as captured in the sanction letter and loan agreement.

4. Loans with Moratorium period for Interest/Principal payment*

In the case of bank finance given where moratorium is available for payment of interest/principal, payment of interest/principal becomes 'due' only after the moratorium or gestation period is over. In cases where moratorium is provided on payment of interest, such amounts of interest do not become overdue and hence do not become NPA, with reference to the date of debit of interest. They become overdue after due date for payment of interest, if uncollected.

*Moratorium will be applicable as per the Bank's policy

5. Due

'Due' 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.

6. Overdue

'Overdue' means the principal/interest/any charge levied on the loan account which is payable but have not been paid within the period stipulated as per the terms of the sanction of the credit facility i.e an amount is to be treated as 'Overdue' if it is not paid on the due date fixed by the Bank.

7. SMA / NPA Classification:

As per RBI Master circular no. RBI/2022-2023/15 DOR.STR.REC.4/21.04.048/2022-23 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances' dated April 1st, 2022; 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)'.

The classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date. The date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

	Loans other than revolving facilities	Loans in the nature of revolving facilities like cash credit / overdraft
SMA / NPA Categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue.	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	More than 30 days and up to 60 days
SMA-2	More than 60 days and upto 90 days	More than 60 days and up to 90 days
NPA	More than 90 days	More than 90 days

Example:

If due date of a loan account is March 31, 2021, and full dues are not received before 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.

Note: The instructions on SMA classification of borrower accounts are not applicable on Agricultural advances which are governed by crop season-based asset classification norms.

8. Out of Order*

CC/Overdraft (CC/OD) account is classified as NPA if it is 'out of order'. A CC/OD account shall be treated as 'out of order' if:

- i. the outstanding balance in the CC / OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- ii. 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' on any day of the month.

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 Bank.

*applicable to all loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits.

Kindly refer the below illustration, for better understanding:

Quarter	Date	Interest Debits (Dr)	Credits (Cr)	Out of order (Cr < Dr)
90 day period From 18-Aug-21 to 15-Nov-21	20-Aug-21		10,000	
	31-Aug-21	7,000		
	2-Sep-21		15,000	
	30-Sep-21	15,000		
	3-Oct-21		12,000	
	31-Oct-21	13,000		
	12-Nov-21		1,000	
Example 1: Total		35,000	38,000	No
90 day period From 22-Aug-21 to 19-Nov-21	31-Aug-21	7,000		
	2-Sep-21		15,000	
	30-Sep-21	15,000		
	3-Oct-21		12,000	
	31-Oct-21	13,000		
	12-Nov-21		1,000	
Example 2: Total		35,000	28,000	Yes
90 day period From 05-Sep-21 to 03-Dec-21	30-Sep-21	5,000		
	31-Oct-21	5,200		

	30-Nov-21	5,100		
Example 3: Total		15,300	0	Yes

9. Agricultural advances

A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.

The above norms will be applicable only to credit extended to following agricultural activities:

A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, directly engaged in agriculture only. This will include:

- Crop loans to farmers, which will include traditional / non-traditional plantations and horticulture.
- Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
- Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- Loans to farmers up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- Loans to distressed farmers indebted to non-institutional lenders.
- Loans to farmers under the Kisan Credit Card Scheme.
- Loans to small and marginal farmers for purchase of land for agricultural purposes.

B. Loans to corporate farmers, farmers' producer organizations / companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture only up to an aggregate limit of 2 crore per borrower. This will include:

- Crop loans to farmers which will include traditional / non-traditional plantations and horticulture.
- Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
- Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- Loans up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

C. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.

In respect of agricultural loans, other than above, NPA classification will be made in accordance with non-agricultural advances, which, at present, is the 90 days delinquency norm.

10. Other parameters for classification of an account as NPA:

- Renewal Pending for CC/OD Accounts:** 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 non-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 31st March, 2022 and if the limit is not renewed till 26th Sep, 2022, such account will be classified as NPA during Day end Process run on 26th Sep, 2022.

- b) **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.
- c) In case of bills purchased and discounted, the bill remains overdue for a period of more than 90 days
- d) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment
- e) Any concession given to a borrower in financial difficulty or stress will be construed as Restructuring. Further, in case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs)

11. Upgradation of accounts classified as NPAs

NPAs may be upgraded as 'Standard' asset only if entire arrears of interest and principal are paid by the borrower. It must be noted that classification of NPA is at borrower level and for upgradation to Standard Assets, overdues in all credit facilities of the borrower are required to be paid in full and rectification of attendant irregularities relating to Review/ Renewal & Stock & book debts of the borrowal account needs to be done.

With regards to upgrade 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.

12. For Credit Cards please refer the below links:

- <https://www.rblbank.com/api/v1/doc/document/Credit%20Cards/RBL-MITC-final.pdf>
- <https://www.rblbank.com/static-pages/vernacular-most-important-terms-and-conditions-for-credit-cards>