

CONSUMER EDUCATION

Important Definitions:

- **‘Standard Asset:** Standard asset shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business;
- **Sub-Standard Asset:** Sub -Standard Asset shall mean:
 - an asset which has been classified as non-performing asset for a period not exceeding 18 months;
 - an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.
- **Doubtful Asset:** Doubtful Asset shall mean:
 - a term loan, or
 - a lease asset, or
 - a hire purchase asset, or
 - any other asset,

which remains a sub-standard asset for a period exceeding 18 months.

- **Loss Asset:** Loss Asset shall mean:
 - an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Bank during the inspection of the applicable NBFC, to the extent it is not written off by the applicable NBFC; and
 - an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.
- **Non-Performing Asset:** Non-Performing Asset (“NPA”) shall mean:
 - an asset, in respect of which, interest has remained overdue for a period of six months or more;
 - a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
 - a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
 - a bill which remains overdue for a period of six months or more;
 - the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of six months or more;
 - any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
 - the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;

- in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset.

Provided that in the case of lease and hire purchase transactions, an applicable NBFC (“Non Banking Financial Company”) shall classify each such account on the basis of its record of recovery.

- **Special Mention Accounts:** Before a loan account turns into an NPA, NBFCs shall be required to identify incipient stress in the account by creating a sub-asset category viz. 'Special Mention Accounts' (SMA) with the three sub-categories as given in the table below :

SMA Sub-categories	Basis for classification
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress as illustrated below.
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-180 days

SMA-0 Signs of Stress

Illustrative list of signs of stress for categorising an account as SMA-0:

- Delay of 90 days or more in (a) submission of stock statement / other stipulated operating control statements or (b) credit monitoring or financial statements or (c) non-renewal of facilities based on audited financials.
- Actual sales / operating profits falling short of projections accepted for loan sanction by 40% or more; or a single event of non-cooperation / prevention from conduct of stock audits by NBFCs or evidence of diversion of funds for unapproved purpose.
- Return of 3 or more cheques (or electronic debit instructions) issued by borrowers in 30 days on grounds of non-availability of balance/DP in the account or return of 3 or more bills / cheques discounted or sent under collection by the borrower.
- Devolvement of Deferred Payment Guarantee (DPG) instalments or invocation of Bank Guarantees (BGs) and its non-payment within 30 days.
- Third request for extension of time either for creation or perfection of securities as against time specified in original sanction terms or for compliance with any other terms and conditions of sanction.
- The borrower reporting stress in the business and financials.
- Promoter(s) pledging/selling their shares in the borrower company due to financial stress.