

FINGROWTH BANK

Fingrowth Co-Operative Bank Ltd.

IN CASE OF LOANS AND LIMIT ACCOUNTS

Examples when an account become SMA, When it classify as NPA category and How and When Upgrad from NPA to Standard account category

LOANS:

Interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.

Example – SMA and NPA classification of Term Loan cases based on overdue date.

Example – if due date of a loan account is March 31, 2021 and complete dues are not received before the lending institution runs the day end process on this date, the date of overdue shall be March 31, 2021 If it continues to remain overdue, than 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 This is further elaborated as below mentioned table:

31 st March 2021 (Due Date)	1	SMA-0
30 Apr. 2021	31	SMA-1
30 May 2021	61	SMA-2
29 June 2021	91	NPA

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as nonperforming and may be classified as ‘standard’ account.

UPGRADATION

Example: upgradation of NPA account: loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower.

31 st March 2021 (Due Date)	10000	1	SMA-0
30 Apr. 2021	10000	31	SMA-1
30 May 2021		61	SMA-2
31 May 2021	10000		
29 June 2021		91	NPA
30 June 2021	10000		
01 July 2021			Upgradation*

*** Upgradation of account to standard category can be done after total pending due of Rs. 40000 is received from borrower by the bank.**

CASH CREDIT / OVERDRAFT ACCOUNTS & OTHER LIMIT ACCOUNTS

In case of limit accounts; the account remains out of order as indicated at paragraph 2.2 below in respect of an overdraft / cash credit (OD/CC).

- A) An account should be treated as out of order if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power for 90 days.

Example description – SMA and NPA classification on revolving facility like Cash Credit / Overdues cases based on out of order.

Example: if outstanding balance is in excess of sanctioned limit / drawing power of a revolving facility like cash credit / overdraft account is March 31, 2021 And amount are not received before the lending institution runs the day end process for this date, the due of overdue shall be March 31, 2021 if it continues to remain excess of sanctioned limit / drawing power, than 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 in excess of sanctioned limit / drawing power, it shall get gagged as SMA - 2 upon running day end process on May 30, 2021 and if continues to remain in excess of sanctioned limit / drawing power further, it shall get classified as NPA upon running day end process on June 29, 2021 This is further elaborated as below mentioned table:

31 st March 2021 (outstanding Balance is excess of sanction limit / drawing power*)	1	
30 Apr. 2021	31	SMA-1
30 May 2021	61	SMA-2
29 June 2021	91	NPA

*** Outstanding Balance can be treated in excess of sanctioned limit / drawing power if any revolving facility (i.e. overdraft / cash credit) limit provide by bank is Rs. 1 lac and utilization of customer is more than Rs. 1 lac.**

UPGRADATION

Example; upgradation of NPA account; loan account classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower and all the excess amount of limit sanctioned to borrower is also paid.* outstanding balance can be treated in excess of sanctioned limit / drawing power. If any revolving facility (i.e. overdraft / cash credit) limit provide by bank is Rs. 1 lac and utilization of customer is more than Rs. 1 lac (say Rs. 1,10,000/-)

31 st March 2021 (outstanding Balance is excess of sanction limit / drawing power*)	1	
30 Apr. 2021	31	SMA-1
30 May 2021	61	SMA-2
29 June 2021	91	NPA
30 June 2021		Upgrade**

**** upgradation of account to standard is possible after excess amount of limit is received from borrower of Rs. 10,000/- and entire arrears of interest and principal are paid by the borrower.**

- B) An account should be treated as ‘out of order’ 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.

Example: if prior 90 days interest charged / debited in revolving facility like cash credit / overdraft account is more than credit received on account than it shall get classified as NPA upon running day end process as on date. The same is explain as below mentioned table.

01-Jan 2021	Customer use the limit of cash credit / overdraft account.	100000	
31 Jan 2021	Debit interest	1500	
15 Feb 2021	Customer paid the amount	2000	
28 Feb 2021	Debit interest	1500	
31 Mar 2021	Debit interest	1700	NPA **

*** NPA is classified due to interest charged in last 90 days is Rs. 4700 (i.e. 1500 + 1500+1700) and credit are received only is Rs. 2000. Which is less than the interest charged.**

- C) Accounts with temporary deficiencies bank should ensure that drawing in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three month, would be deemed as irregular.

Para No. 4.2.4 (b) A working capital borrowable account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

Example description – NPA classification on cash credit account based on stock statement is not updated example: if stock statement is received of a cash credit account as on March 31, 2021 and further updated stock statement is not received. It shall get classified as NPA upon running day end process on September 27, 2021. The same is explained in below mention table.

31 March 2021 (stock statement received)	
27 September 2021	NPA

UPGRADATION

Upgradation of NPA account: loan account classified as NPAs may be upgraded as 'Standard' asset only if entire arrears of interest and principal are paid by the borrower and received updated stock statement (i.e. stock statement date should be between last 179 days)

31 March 2021 (Renewal due date)	
27 September 2021	NPA
25 October 2021	Upgrade*

Upgradation of account to standard is possible after receiving updated stock statement (the date of stock statement between 29.04.2021 to 25.10.2021) and entire arrears of interest and principal are paid by the borrower.

Accounts with temporary deficiencies para No. 4.2.4 © 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 from the due date of review 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.

Example description – NPA classification on revolving facility based on renewal is not to be reviewed.

Example: if renewal is due of a revolving facility account as on March 31, 2021 and further renewal of account is not done. It shall get classified as NPA upon running day end process on September 27, 2021. It is further explained in below mention table.

31 March 2021 (Renewal due date)	
27 September 2021	NPA

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as nonperforming and may be classified as 'standard' accounts.

Upgradation of NPA account: Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower and updated renewal done (i.e. renewal date should be between last 179 days).

31 March 2021 (Renewal due date)	
27 September 2021	NPA
25 October 2021	Upgrade

*upgraded of accounts to standard can be done post renewal (The date of renewal between 29.4.2021 to 25.10.2021) and after entire arrears of interest and principal are paid.

Upgradation of NPA account: loan account classified as NPAs may be upgraded as 'standard' asset only if entire arrears (MAD amount) of interest and principal are paid by the borrower:

31 March 2021 (MAD due date)		1	
30 APRIL 2021	2000	31	SMA -1
30 MAY 2021	3000	61	SMA-2
29 JUNE 2021	4000	91	NPA
30 JUNE 2021	4000		Upgradation

* Upgradation of accounts to standard is possible after total pending MAD due of Rs. 4000 is received from borrower.

Assets classification to be borrower wise and not facility wise, all the facilities granted by a bank to a borrower and investment in all the securities issued by the borrower will have to be treated as NPA / NPI and not the particular facility / investment or part thereof which has become irregular.

Example description – NPA classification on based on borrower wise and not facility wise.

Example: if any facility of customer is classified as NPA upon running day end process as on date, all the facility of the customer need to be classified NPA upon same day. It is further explained as below mentioned table:

A	Term Loan 1	29 JUNE 2021	NPA classified as per above example.
A	Term Loan 2	29 JUNE 2021	NPA classified due to customer A term loan 1 is classified NPA
A	Cash Credit/Overdraft	29 JUNE 2021	

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as nonperforming and may be classified as 'standard' accounts.

Upgradation of NPA: Loan accounts classified as NPAs may be upgraded if arrears of interest and principal are repaid in all the facilities of the borrower.

A	Term Loan 1	29 JUNE 2021	NPA classified as per above example.
A	Term Loan 2	29 JUNE 2021	NPA classified due to customer A term loan 1 is classified NPA
A	Cash Credit/Overdraft	29 JUNE 2021	
A	Term loan 1	15 JULY 2021	Upgrade*
A	Term loan 2	15 JULY 2021	
A	Cash credit / overdraft	15 JULY 2021	

* upgradation of borrower's accounts to standard can be done if arrears of interest and principal are repaid in all the facilities of the borrower.