Here’s what happens to your loan account if you miss paying your dues on time.

Basis the number of days your dues (dues means instalment of principal, interest and other charges if any) remain unpaid and overdue, your loan account gets classified into various categories. These categories influence your Credit Bureau Score, which may further affect your borrowing capacity in future.

Example

Suppose Mr Sanjay has taken a loan of Rs.10 lakhs for 36 months and the due date to pay is 5th of every month and say his next due date for payment is April 05, 2021.

- **On April 5th, 2021**
  If Mr Sanjay fails to pay his dues on the 5th of April 2021 before the end of day, then his loan account is tagged as overdue and Special Mention Account (SMA) 0 on the same day.

- **On June 4th, 2021**
  If Mr Sanjay fails to pay the dues for another 30 days, then his loan account gets tagged as SMA-2 upon completion of 60 days of being continuously overdue.

- **On May 5th, 2021**
  If Mr Sanjay does not pay the dues in the next 30 days, his loan account continues to remain overdue and gets tagged as SMA-1 upon completion of 30 days of being continuously overdue.

- **On July 4th, 2021**
  By the 90th day, if Mr Sanjay still doesn’t clear the dues, his loan account gets classified as Non-Performing Asset (NPA) upon completion of 90 days of being continuously overdue.

The above illustration is also applicable for revolving facilities where either outstanding balance remains continuously in excess of the sanctioned limit /drawing power whichever is less or interest is overdue and not paid on due dates.
RBI circular no. RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning, pertaining to Advances – Clarifications’ dated 12th November, 2021. Here’s a comprehensive table explaining the Special Mention Account (SMA) and Non-Performing Asset (NPA) classification.

<table>
<thead>
<tr>
<th>Loans other than revolving facilities</th>
<th>Loans in the nature of revolving facilities like cash credit/overdraft</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SMA Sub-categories</strong></td>
<td><strong>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue</strong></td>
</tr>
<tr>
<td>SMA-0</td>
<td>Upto 30 days</td>
</tr>
<tr>
<td>SMA-1</td>
<td>More than 30 days and upto 60 days</td>
</tr>
<tr>
<td>SMA-2</td>
<td>More than 60 days and upto 90 days</td>
</tr>
<tr>
<td>NPA</td>
<td>More than 90 days</td>
</tr>
</tbody>
</table>

Aditya Birla Finance Limited
(A part of Aditya Birla Capital Ltd.)

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