

Classification of Invoice after Due-Date

An invoice becomes "**Overdue**", upon expiry of the normal / accepted credit period of bills factored or on next day after due-date if payment is not made.

An invoice becomes due for payment at the end of the Credit period given by the Client to that Customer in respect of a particular invoice (Normally the Credit period/due date is mentioned on the invoice). The due date can vary for different Customers. However, the credit period given by the Client cannot be more than the maximum credit period given to the Client.

Invoices are expected to be paid by the Customers within the accepted credit period. However, as a matter of gesture, a grace period of 7 days is also allowed to get the payment from the Customers.

During the period i.e 8th day from the due date (due date + 7 days) till 37th day from the due date, the invoice will be outstanding under '**IBCP**' (Invoice outstanding Beyond the Credit Period) category. Invoice will continue under this head for a maximum period of 30 days.

An invoice becomes overdue which remains unpaid on the 38th day from the due date (due date + 37 days) till 67th day from the due date. The status of such invoices gets displayed as '**OD**'(Overdue). Invoice will continue under this head for a maximum period of 30 days.

An invoice becomes past due if it remains unpaid on the 68th day from the due date (due date + 67 days) till realization / reassignment of invoice. The status of such invoices gets displayed as '**PD**'(Past-due) in the computer.

Special Mention Accounts

Special Mention Accounts are those assets/accounts that show symptoms of bad asset quality in the first 90 days itself. The Special Mention Account identification is an effort for early stress discovery of NBFC loans. It was introduced as a corrective action plan to contain stress. As per the SMA regulations, NBFC should identify potential stress in the account by creating a new sub-asset category viz. 'Special Mention Accounts' (SMA).

SMA Sub Category	Classification basis
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress, 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.
SMA- 1	Principal or interest payment overdue between 31-60days.
SMA – 2	Principal or interest payment overdue between 61-90 days.

SMA Sub Category	
SMA-0	Invoices due Upto 30 days from Due-Date
SMA-1	Invoices due More than 30 days and upto 60 days from Due-Date
SMA-2	Invoices due More than 60 days and upto 90 days from Due-Date

Example: If due date of an Invoice is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for 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.

NAP CLASSIFICATION

Below is the basis of Treating a Credit Facility as NPA

1. An account is treated as NPA if it remains overdue and unpaid for 90 Days from due-date.
2. Also an account is treated as NPA if discount charges/other charges remain unpaid / not serviced in the account for more than 3 months.