



## RBI said in its Financial Stability Report

While banks' non-performing asset (NPA) ratios shot up between March 2017 and March 2018, accounts in the special mention account (SMA) 1 and 2 categories fell 30% and 60%, respectively, showed the Reserve Bank of India's ([RBI](#)) financial stability report (FSR) for June 2018.

SMA 1 accounts are those where repayments have been overdue for between 31 and 60 days, while SMA 2 accounts are ones with a delay of between 61 and 90 days. If an account sees repayments delayed by 90 days, it turns into an NPA.

SMA accounts, where the delay in repayment ranges between one and 30 days, however, shot up by 277% year-on-year (y-o-y). This is likely to be a result of increased instances of reporting by banks of one-day defaults by large borrowers.

The RBI in its February 12 circular had mandated that lenders must report credit information, including classification of an account as SMA to the Central Repository of Information on Large Credits (CRILC) on all borrower entities having an aggregate exposure of `5 crore and above with them.

The CRILC-Main Report is now required to be submitted on a monthly basis, effective April 1, 2018. In addition, the lenders must also report to CRILC all borrower entities in default (with aggregate exposure of Rs five crore and above), on a weekly basis, at the close of business on every Friday.

The share of large borrowers in banks' total loan portfolios as well as their share in gross NPAs declined marginally between September 2017 and March 2018. "In March 2018, large borrowers accounted for 54.8% of gross advances and 85.6% of gross NPAs," RBI said in the FSR.

SMA 2 accounts as a percentage of gross advances decreased across bank-groups. The top 100 large borrowers accounted for 15.2% of gross advances and 26% of gross NPAs of banks.

Released on Tuesday, the FSR noted that the gross NPA ratio — bad loans as a percentage of total loans — of the Indian banking system could reach 12.2% by March 2019. The gross NPA ratio of all banks rose from 10.2% in September 2017 to 11.6% in March 2018.

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