

## Policy on Penal Charges

<b>Document Classification</b>	Internal
<b>Version</b>	1.0
<b>Document Owner</b>	Credit
<b>Approval Authority</b>	Board of Directors
<b>Review Frequency</b>	Annual
<b>Effective Date</b>	20 August-2025
<b>Date of last review</b>	

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## **1. Objective**

This policy outlines the framework for the imposition of penal charges on borrowers in the event of non-compliance with material terms and conditions of loan contracts, in accordance with the RBI's Fair Practices Code and the Master Directions/Guidelines issued by the RBI from time to time. This ensures that such charges are transparent, non-discriminatory, and not excessive.

## **2. Regulatory Framework**

This policy complies with the directions issued by the Reserve Bank of India (RBI), regarding the levy of penal charges.

## **3. Key Principles**

### **a. No Capitalization of Penal Charges**

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. Penal charges shall not be capitalized. That is, they shall not be added to the principal outstanding for the purposes of compounding of interest.

### **b. No Penal Interest**

No additional interest shall be charged in the form of penal interest. Instead, penal charges may be levied in the event of borrower defaults or non-compliance. There shall not be any additional component to the rate of interest.

### **c. Reasonableness and Non-Exploitation**

- Penal charges must be reasonable, proportionate to the default, and not used as a revenue enhancement tool.
- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- The penal charges in the case of loans sanctioned to 'individual borrowers, for purposes other than business, shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.

### **d. Transparency & Disclosure**

- The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) (as applicable), in addition to being displayed on websites of the company under Interest rates and Service Charges.

- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason there- for shall also be communicated.
- The company shall give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The company shall also ensure that changes in interest rates and charges are affected only prospectively.

e. Uniformity and Non-Discrimination

Penal charges shall be applied uniformly across all borrowers of a particular loan/product category without discrimination.

#### **4. Applicability**

This policy applies to all retail loans including term loans, working capital loans, and other credit facilities.

#### **5. Instances of Penal Charges**

Penal charges may be levied for the following illustrative reasons. Please refer to the Schedule of charges at Annexure-1 and Annexure 2 (as per product)

- Non-payment or delayed payment of EMI/instalments
- Breach of covenants
- Bouncing of EMI
- Loan processing charges
- Pre-closure of loan
- Service-related Charges

#### **6. Quantum of Penal Charges**

- a. Penal charges shall be fixed in absolute monetary terms or as a percentage of the overdue amount, based on the type and size of loan.
- b. The rates shall be reviewed periodically (at least annually) and approved by the Board.
- c. The charges shall not exceed reasonable thresholds that ensure fairness and proportionality.

#### **7. Disclosure and Communication**

- Penal charges must be disclosed in the Loan Agreement, Key Fact Statement, and on the website of the company. The Schedule of Charges is annexed as Annexure-1/2 to this policy.
- Any revisions to penal charges shall be notified to borrowers with prior notice and made available on the official website.



#### **8. Grievance Redressal**

Borrowers shall have the right to raise concerns regarding penal charges through the institution's Grievance Redressal Mechanism. All complaints shall be handled in accordance with the Customer Grievance Redressal Policy.

#### **9. Review and Amendments**

This policy shall be reviewed annually or as required due to regulatory changes and approved by the Board of Directors.

## Annexure-1

### Schedule of Charges

Particulars	Fees
Proc Fee	<p>&lt;5 lacs: 2.75% + GST</p> <p>5-10 lacs: 2% + GST</p> <p>10+: 1.75% + GST</p>
Documentation charges	INR 950 + GST
Admin Fee ( )	<p>Loan amount- Admin fee</p> <p>= 1 lacs- 0</p> <p>1-2 lacs- INR 2500</p> <p>2-3 lacs- INR 3500</p> <p>3-4 lacs- INR 4000</p> <p>4- 5 lacs- INR 4500</p> <p>5-10 lacs- INR 4500</p> <p>&gt;10 Lacs- INR 5000</p>
Stamp Duty Charges	202/-
Pre-payment / Foreclosure Charges	<p>Upto 12 months of loan tenure: 5% of POS +GST</p> <p>Between 12-24 months of loan tenure: 4% of POS + GST</p> <p>More than 24 months of loan tenure: 3% of POS + GST</p> <p><i>Promotional scheme with discounted charges to be rolled out for select customers</i></p>

Part Payment charges	<p>Allowed after 12 months of loan tenure Payment of upto 25% of POS allowed per instance Charges: Between 12-24 month of loan tenure: 4% of payment amount + GST After 24 months of loan tenure: 3% of payment amount + GST</p>
Penal Charges	3%
Installment bounce charges	INR 600
Cheque/Repayment-Swapping charges	NIL
Physical repayment schedule Statement of account charges	INR 250 to recover courier cost
Asset Verification Charges	INR 500
Cancellation charges	<p>No charges within free look INR 5000 + GST after free look <i>Free look: 5 days from delivery</i></p>
Rebooking / rescheduling charges	INR 1000 + GST
Legal Charges	Actuals
Repossession Charges and incidental charges	Actuals
Valuation charges (pre disb)	INR 1000 + GST
Valuation charges (post disb)	INR 1000 + GST
Duplicate NOC charges	INR 500 + GST



Auction charges	INR 500 + GST
Yard charges per Day	As per actuals
PDD management charges	INR 500 + GST To be recovered through payout
Collection visit charges	INR 100 + GST





## Annexure-2

### Schedule of Charges (Dealer Finance)

CHARGE	CHARGE AMOUNT	CHARGE	CHARGE AMOUNT
<b>Penal Charge for delayed EMI Payment.</b>	3% per month / 36% per annum on the tranche amount	<b>Stamping Charges and registration charges</b>	<b>Rs.200 on Credit Facility Agreement, Power of Attorney and Hypothecation deed</b>
<b>Legal Fees (if applicable)</b>	As per actuals	<b>Onboarding Fees</b>	1% (of the sanctioned limit)+ GST
<b>Processing Fee</b>	0.5% on the tranche amount or Rs 500/- (whichever is higher)		