

**Penal Charges** (effective 1 April 2024 or as per timeline defined by RBI)

We refer to the RBI Circular dated August 18, 2023 bearing reference number RBI/2023-2024/53 DoR.MCS.REC.28/01.01.001/2023-24 on “Fair Lending Practice-Penal Charges in loan accounts” as amended/supplemented from time to time and frequently asked questions thereto (collectively referred to as “RBI Circular”).

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as “penal charges”. 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.

**IBG (including PSL) and GTS:**

The Bank shall have the right to levy Penal charges for non-compliance of material terms and conditions. Such charges shall not be levied in the form of ‘penal interest’ that is added to the rate of interest charged on the advances.

Quantum of penal charges shall be reasonable and commensurate with the noncompliance of Material terms and conditions stated under the loan contract/agreement without being discriminatory within a product category.

In order to ensure transparency, standardization, and ease of understanding of Penal Charges by borrowers, for IBG (including PSL) and GTS, following customer segment-wise (MSME & Non-MSME) grid has been defined for each Material terms and conditions covering all the applicable loans, working capital & Trade facilities.

- **For MSME customers, following grid of penal charges will be applicable in case of breach in Material Terms and Conditions:**

<b>Material Terms &amp; Conditions</b>	<b>Percentage or absolute approach</b>	<b>Amount or % p.a. to be charged</b>	<b>*Frequency of monitoring and charging (respectively)</b>
Overdue/Overdrawn instances	Percentage	3% p.a. of overdue/overdrawn amount.	<ul style="list-style-type: none"> <li>• For CCOD- Monthly basis</li> <li>• For Loans &amp; trade facilities- Interest demand date or foreclosure date whichever is earlier</li> </ul>
Non-Creation of Security	Percentage	2% p.a. of facility amount for which security creation is pending.	<ul style="list-style-type: none"> <li>• Monitored basis due date</li> <li>• Monthly basis (post lapse of due date)</li> </ul>
Financial Covenants breach	Percentage	2% p.a. of facility amount	<ul style="list-style-type: none"> <li>• Monitoring basis agreed frequency.</li> <li>• Monthly basis</li> </ul>
Non-Financial Covenants breach	Percentage	2% p.a. of facility amount	<ul style="list-style-type: none"> <li>• Monitoring basis agreed frequency</li> <li>• Monthly basis</li> </ul>
Valuation Pending	Absolute	INR 5,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Stock Audit Pending	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Insurance Pending	Absolute	INR 10,000	<ul style="list-style-type: none"> <li>• Monitored basis due date.</li> <li>• Monthly basis post expiry of insurance.</li> </ul>
Renewal offer letter not accepted	Absolute	INR 15,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Non submission of Net-worth Statement	Absolute	INR 5,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Non-submission of end use certificate	Absolute	INR 5,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Non-Submission of Stock Statements	Absolute	INR 10,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Facility documents pending	Absolute	INR 10,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>

- **For non- MSME customers, following grid for penal charges will be applicable in case of breach in Material Terms and Conditions:**

Material Terms & Conditions	Percentage or absolute approach	Amount or % p.a. to be charged	*Frequency of monitoring and charging (respectively)
Overdue/Overdrawn instances	Percentage	3% p.a. of overdue/overdrawn amount.	<ul style="list-style-type: none"> <li>• For CCOD- Monthly basis.</li> <li>• For Loans &amp; trade facilities - Interest demand date or foreclosure date whichever is earlier</li> </ul>
Non- Creation of Security	Percentage	2% p.a. of facility amount for which security creation is pending.	<ul style="list-style-type: none"> <li>• Monitored basis due date.</li> <li>• Monthly basis (post lapse of due date)</li> </ul>
Financial Covenants breach	Percentage	2% p.a. of facility amount	<ul style="list-style-type: none"> <li>• Monitoring basis agreed frequency.</li> <li>• Monthly basis</li> </ul>
Non-Financial Covenants breach	Percentage	2% p.a. of facility amount	<ul style="list-style-type: none"> <li>• Monitoring basis agreed frequency.</li> <li>• Monthly basis</li> </ul>
Valuation Pending	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• One time, post due date.</li> </ul>
Stock Audit Pending	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• One time, post due date.</li> </ul>
Insurance Pending	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• Monitored basis due date.</li> <li>• Monthly basis post expiry of insurance</li> </ul>
Renewal offer letter not accepted	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• One time, post due date</li> </ul>
Non-Submission of Networth Statement	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• One time, post due date</li> </ul>
Non-submission of end use certificate	Absolute	INR 25,000	<ul style="list-style-type: none"> <li>• One time, post due date</li> </ul>
Non-Submission of Stock statement	Absolute	INR 10,000	<ul style="list-style-type: none"> <li>• Monitoring on monthly basis</li> <li>• Monthly basis</li> </ul>
Facility Documents pending	Absolute	INR 10,000	<ul style="list-style-type: none"> <li>• One time, post due date</li> </ul>

**Notes:**

- For consortium cases (where same facility agreement is signed by more than 1 bank), Material terms & conditions and penal charges shall be mutually agreed with the banks. In case not mutually agreed, above defined matrix to be followed.
- \*Bank shall have the right to levy Penal Charges as per the grid mentioned above.