

The Reserve Bank of India has, vide circular no. DoR.MCS.REC.28/01.01.001/2023-24 (RBI/2023-24/53) dated August 18, 2023 on “**Fair Lending Practice - Penal Charges in Loan Accounts**”, issued instructions (“**RBI instructions**”) regarding quantum and levy of Penal Charges on Loan Accounts. The RBI instructions mandate penalty to be treated as ‘Penal Charges’ and not be levied as ‘Penal Interest’

We wish to inform you that the Penal Interest (if and when applicable) will be treated as Penal Charges with effect from 01-04-2024 for your loan account. The Penal Charges with effect from 01-04-2024 are set out in Schedule I.

Schedule I

Sr No	Penal Charge for Corporate Borrowers	
(A) Breach of Financial Terms & Conditions		
1	Applicable Penal Charges	6% p.a. plus GST on the overdue amount (Principal overdue / Interest overdue / EMI overdue) for the period the said amount remains overdue
(B) Breach of Non- Financial Terms & Conditions		
1	Applicable Penal charges related to Delay in Security Creation as per sanction terms	2% p.a. plus GST (The penal charges for full / part security creation would be applicable on the principal outstanding from the date it is overdue for the period it remains overdue)
2	(A)Applicable Penal charges related to non-compliance of any material terms and conditions as per the sanction letter / facility agreement (B)Applicable Penal charges related to non-submission of documents / information as per sanction terms and conditions	1% p.a. plus GST on the outstanding principal for each non-compliance from the date of the breach till the date of compliance with the sanction terms, subject to maximum of 3% p.a. plus GST in case of multiple breaches.

Please note

The said Penal Charges will be subject to GST as per applicable laws on Goods and Service Tax in India, and GST will be charged separately.

The said Penal Charges are over and above the applicable Rate of Interest. There will be no further interest charged on the Penal Charges.