

# **SUBHLAKSHMI FINANCE PRIVATE LIMITED**

## **POLICY ON PENAL CHARGES**

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COMMITTEE POLICY APPROVAL	
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## **1. Introduction:**

**Subhlakshmi Finance Private Limited** (hereinafter referred to as “Subhlakshmi” or “the Company”) is a Private Limited Company incorporated under the provisions of Companies Act, 1956 and is also registered as Non-Banking Financial Company (“NBFC”) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (RBI) vide Registration No. B-06.00246 dated January 12, 2017.

The Company is engaged in the business of financing the “missing middle” and to cater to Small and Micro Enterprises in various parts of India.

The **Reserve Bank of India (“RBI”)** had, vide its **Notification No. RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023**, further notified under **DOR.FIN.REC.No.45/03.10.119/2023-24, Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023** including any amendment thereof, had mandated all NBFCs to formulate a policy on penal charges or similar charges on loans. The purpose behind issuing these guidelines is that Regulated Entities (REs) shall ensure reasonableness and transparency in disclosure of penal interest.

Subhlakshmi, being a Non-Deposit taking Non-Banking Financial Company (NBFC-ND), covered under the Base Layer as per Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 is accordingly required to frame such a Policy.

The goal of this policy is to make sure that the penalties charged are fair, and also easily understood by the customers.

## **2. Objective:**

The primary objective of imposing penal charges is to inculcate a sense of credit discipline among borrowers and to make sure they adhere the rules and such charges are not meant to serve as a revenue enhancement tool, over and above the contracted rate of interest, further penal charges imposition is in line with the terms and conditions of loan contracts, without being discriminatory.

## **3. Penalties levied on the Customer (Effective from April 01, 2024):**

- 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 penalties 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.
- These penalties shall also cover charges levied on the customer for delay in payment of their overdue EMI.
- Subhlakshmi shall not introduce any additional component to the rate of interest and ensure compliance to this policy made as per RBI guidelines in both letter and spirit.
- The quantum of penalties shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract without being discriminatory within a particular loan/product category.
- Subhlakshmi shall clearly disclose the quantum and reason for penal charges to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on the company's website.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penalties and/or any instance of levy of penalties and the reason thereof shall also be communicated to them.
- Subhlakshmi shall carry out appropriate revisions in their policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/ existing loans renewed.

#### 4. Schedule of Charges - ALL PRODUCTS

The indicative schedule for charges is mentioned below. Applicable taxes would be levied on these charges:

Type of transaction	Charges (in ₹) (Exclusive of Taxes)
<b>A. Foreclosure Charges</b>	
Foreclosure Charges	4% on Principal Outstanding
<b>B. Other Charges</b>	
Cheque Return Charges	Rs. 500/-
PDC/ ECS / NACH / ENACH Bounce Charges (per presentation)	Rs. 500/-
Cheque Swap Charges	Rs. 500/-

Charge for exchanging PDCs/ECS	Rs. 750/-
Part Prepayment Charge	NIL
Statement of Account/Repayment Schedule per instance	For First time = Free For Second or more time = Rs. 500/-
Legal / Stamping / Adhoc Charges	At Actuals
Penal Charges	2.5% per month on Overdue Instalment
Charges for Cancellation of Loan	4% of loan amount disbursed
Loan Re-schedule Charges	Rs. 5,000/-
NOC Charge per instance	Rs. 500/- in Normal Rs. 1500/- if Overdue
SMS Charge	Rs. 100/- annually
CIBIL Retrieval Fee	Rs. 200 per enquiry
CIBIL Correction Fee	Rs. 1000/- per CIC
CERSAI Charges	Rs. 100 for a loan above Rs. 5 lakh and Rs. 50 for loan up to Rs. 5 lakh
Hypothecation Removal	Rs. 1000/-
Property Swap	3% of the loan outstanding
Duplicate Loan Agreement	Rs. 500/-
List of Documents	Rs. 750/-



In furtherance to the above, the **REBATE** may also be given to the customers who comply to the terms and conditions of the loan documents.

The authority to waive or reduce the penal charges vest with CEO who is authorized to delegate this discretion as per delegation matrix approved by him.

#### **5. Review and Amendments:**

This policy shall be subject to periodic review and amendments by the Board of Directors to ensure continued compliance with RBI directives and evolving industry best practices.

The requirements mentioned in this clause shall be applicable in respect of all the fresh loans availed/renewed from April 01, 2024.

In the case of existing loans, the switchover to new penalties shall be ensured on the next review or renewal date or six months from the effective date, whichever is earlier.

#### **6. Compliance:**

All employees of the Company are responsible for complying with the provisions of this policy. Non-compliance may result in disciplinary action.

This policy shall be made available to all employees, and customers shall be informed of the policy's key provisions at the time of loan origination.