

**PENAL CHARGES
POLICY**

November,2024

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Introduction

The Reserve Bank of India (RBI) vide circular no. DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 read with circular no. DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023 and FAQs dated January 15, 2024, requires the Regulated Entities (REs) to ensure reasonableness in levying Penal Charges and also maintain transparency in disclosure on the same. REs were advised to formulate a Board approved policy for levying penal charges.

Purpose

The intent of levying penal charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. 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.

Applicability

The following Penal charges policy shall be applicable to all the loan products offered by Hinduja Leyland Finance Limited (hereinafter referred as the 'Company').

Penal Charges: Policy terms

1. The Company shall not levy Penal interest.
2. 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.
3. There shall be no capitalisation 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. No additional component shall be added to the rate of interest to ensure compliance to the RBI guidelines in both letter and spirit.

4. 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.
5. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business, shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
6. The quantum and reason for penal charges shall be clearly disclosed by the Company in "Bold" to the borrowers in the loan agreement and Most Important Terms & Conditions (MITC) / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company website under Interest rates and Service Charges.
7. An acknowledgement of loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable will be taken from the borrower in the language understood by the borrower.
8. Penal charges will be explained to the borrower at the time of onboarding and at the time any change, review or renewal of the charges during the tenure of the loan of the borrowers.
9. Reminders/ letters for non-compliance of material terms and conditions of loan sent to borrowers shall mention the applicable penal charges.
10. Any grievances relating to the penal charges shall be addressed in line with the Grievance Redressal Policy and Fair Practice Code.
11. The Company shall establish a mechanism in place to periodically monitor and review the implementation of the policy.

Products and effective Penal charges

1. Penal charges would be applicable for all the loan products offered by the Company.
2. The Company shall levy Penal charges ranging from 18% p.a to 36% p.a depending on the products which will be mentioned in the sanction letter, KFS and MITC of the Company.
3. Product wise Penal charges would be mentioned in the "Guidelines on Collection of Processing Charges and Other Charges from the Borrower". The same has been provided

as Annexure to this policy.

Effective date:

The Policy will be effective from 1st April 2024. The instructions as stated in the policy shall be implemented in all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from the effective date of the RBI regulations, whichever is earlier.

Review:

This policy shall be reviewed by the Board, at least annually, to ensure its continued effectiveness and compliance with regulatory requirements.

Additionally, the “Guidelines on Collection of Penal Charges” document shall be under the review of the management so as to incorporate any new operating, regulatory requirements and changes and the same is attached as Annexure.

Version	Last Review Date	Nature
1.0	March 27, 2024 (New version)	New RBI regulation
2.0	November 5, 2024	Annual Review

Document Executor	Head Credit & Operations and Head Collections
Document Owner	COO
Document Review	CRO & CCO
Document Sponsor	MD & CEO
Document Approver	Board of Directors

Annexure

Guidelines on Collection of Penal Charges

Objective:

The objective of this note is to provide for penal charges to be levied from the borrowers in accordance with the Penal Charges Policy.

COMMERCIAL, PERSONAL AND AGRICULTURAL PRODUCTS

Products
COMMERCIAL VEHICLES
CONSTRUCTION EQUIPMENTS
CAR
THREE WHEELERS
TRACTOR
TWO WHEELER

Additional Financial Charges (AFC): Charges to be levied on overdue EMI in case if borrower defaults to pay EMI on due dates.

Products	AFC %
COMMERCIAL VEHICLES	36%
CONSTRUCTION EQUIPMENTS	36%
CAR	36%
THREE WHEELERS	36%
TRACTOR	36%
TWO WHEELER	36%

Foreclosure charges: Charges to be levied for foreclosure of loans before completion of loan tenor.

Products	Foreclosure charges as a percentage of POS
COMMERCIAL VEHICLES	5%
CONSTRUCTION EQUIPMENTS	5%
CAR	5%
THREE WHEELERS	5%
TRACTOR	5%
TWO WHEELER	5%

Any waiver to the above charges would be approved as per the Delegation of Powers defined under Policy on Compromise Settlement & Technical Write-offs.

Repossession Charges: Charges levied during the repossession of vehicle (includes stopping/towing /repossession/parking charges) to be charged as per actuals and to be debited to borrower account.

Description	Charges
Repossession Charges (stopping/ towing/ repossession/ parking charges)	Actuals

Various penal charges between the loan tenor

Collection Charges: Charges for collection of dues from borrower in case if PDC/ECS not provided by the borrower.

Repayment instruction / instrument return charges: During the loan tenor if borrower's cheque/ECS bounces due to any reason, borrower's account will be debited against these retruns/bounce.

Traveling expense: During the Loan tenure, charges for employee visit to the borrower for collection or any other loan related purpose.

Cash handling Charges: During the loan tenor if employee collects EMI in cash mode from borrower, then the company shall charge cash handling charges. These Charges are also charged to change borrower's repayment habit through RTGS/NEFT/IMPS/UPI instead of cash payment.

Schedule of Charges:

Description	Charges
Collection Charges	As per the terms of the loan agreement with a minimum of Rs. 100/- per instance
Repayment instruction / instrument return charges	As levied by lender's bank subject to a minimum of Rs. 550/- each dishonor + Bank Charges Rs. 50/-
Travelling Expenses	Rs. 150/- per visit
Cash handing Charges	Upto 10000 : Rs.25 Rs. 10001 to 50000 : Rs.150 50001 to Rs.1 Lakh: Rs.300 Above Rs.1 Lakh : Rs.500

Product – LAP

Description	Charges
Part Prepayment Charges	<ul style="list-style-type: none"> Part Prepayment can be made only after 6 months from the date of full disbursement. This payment can be done upto 6 times in a financial year subject to minimum amount being Rs 50,000 and maximum amount being upto 50% of the loan outstanding at the beginning of the Financial year.
Prepayment charges	To be levied in line with the notifications issued by RBI from time to time and shall not exceed beyond 5% of the principal outstanding.
Repayment instruction / instrument return charges	Upto Rs.750/-
Additional Finance Charges	36% per annum on delayed payment/ Nonpayment of installment
Legal, Repossession and incidental charge	On Actuals

Product – Wholesale Lending

In case of wholesale lending processing fee, foreclosure and other charges will be levied on case to case basis depending on the terms of the agreement being entered with the borrower entity.

Additional Finance Charges for the product would be capped at 36% per annum for the default amount.

Product – Partnership Arrangement (Co Lending/Business Correspondants)

In case of FINTECH partnerships lending processing fee, foreclosure and other charges will be levied on based on the terms of the agreement being entered with the and fintech partner.

Additional Finance Charges for the product would be capped at 36% per annum for the default amount.

Product – Dealer Trade Advance/ Supply chain finance/ Bill Discounting/ Working Capital

Demand Loan/other products

ECS/NACH/Chq bounce charges will be upto Rs.1000 per incident along with applicable GST.

Additional Finance Charges for the product would be capped at 36% per annum for the default amount.

Product – Unsecured Loans

Charges	Rate
Foreclosure Charges	1. Below 6 months – No prepayment allowed
	2. 6 months – 1 year: 10% on Principal Outstanding
	3. Above 1 Year: 5% on Principal Outstanding
Repayment instruction / instrument return charges	Rs. 500 /- per instance of dishonour of cheque Standing instruction / ECS debit instruction + GST as applicable
Collection charges	Rs.100 per instance

Additional Finance Charges for the product would be capped at 36% per annum for the default amount.

Other Norms:

- Applicable taxes would be charged over and above the various charges to be levied.
- Any charges to be levied which is not in accordance to the charges mentioned in this guidelines shall be approved by MD&CEO.