

PIRAMAL CAPITAL & HOUSING FINANCE LIMITED (PCHFL)

Corporate & Mid-Market Lending (CMML)

Penal Charges Policy

Approving Authority:

Board of Directors, Piramal Capital & Housing Finance Limited (PCHFL)

Version: 1.0 (Approved on March 22, 2024)

1. INTRODUCTION

1.1 Purpose and Scope of this Policy

Piramal Capital & Housing Finance Limited (hereinafter referred to as “PCHFL/ Company”) is a NBFC registered with Reserve Bank of India (RBI) and in the business of lending in retail and wholesale space. RBI has issued the Guidelines on Fair Lending Practices – Penal Charges in Loan Accounts issued by RBI vide its circular bearing No. RBI/2023-24/54 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023. As required under these Guidelines, the Company has formulated this Policy which shall come into force from date of approval of the Board of Directors. In case of existing Loan facility/agreements the switchover to new penal charges regime shall be ensured on the next review/ renewal date falling on or after April 1, 2024, by June 30, 2024. This will be applicable to all the products as covered in this Policy.

This Policy is to put in place governing principles in determination of penal charges for loans and advances. Penal charges are levied with an intended objective to drive credit discipline in the conduct of the account.

Scope:

The Policy apply to facilities extended by CMML Business and would apply to all types of credit facilities as laid down in the CMML Credit Policy (as amended from time to time).

General Principles:

- a) Penal charges for the purpose of this Policy represents charges over and above normal interest rates/ fees, levied for default by the borrower in complying with the terms on which loan facilities were sanctioned. The term ‘default’ covers delays in repayment of loan, irregularity in the conduct of the account or non-compliance with material terms of the sanction of the facility more specifically covered under Para 1.2
- b) Penal charges are levied primarily to act as deterrent against breach of terms of facility and on account of enhanced credit risk experienced & incremental credit / operating costs incurred.
- c) The quantum and reason for penal charges as documented in this policy shall be clearly disclosed to the customers in the loan agreement and sanction letter, as applicable, in addition to being displayed on PCHFL’s website under Fees & Charges. Any change in the Policy (on account of change in regulation or otherwise) will be communicated to the borrower and the same will be applicable from the date of issue of such revised policy by PCHFL.
- d) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- e) On case to case basis, genuine difficulties of customers which led to such delay in payment / irregularity (e.g. natural calamity, etc.) should be considered with regard to levy of penal charges.
- f) The applicable Penal charges should be clearly stated in bold in the Facility Agreement and Sanction letter or Term sheet of the client.
- g) 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.

1.2. Levying of Penal Charges

PCHFL shall stipulate payment of penal charges on all facilities including principal, interest &/ or redemption premium (as applicable) which are not paid on due dates. Penal charges shall be levied on late payments, non-payments and in case of delay in meeting milestones/covenants, Condition Precedent & Condition Subsequent (CP & CS), pre and post disbursement conditions, on case-to-case basis.

Penal charges will be levied for the number of days for which the amount has been paid late and / or the breach in covenant is cured.

A suitable clause in the agreement will be incorporated at the time of sanction of the loan for levy of such penal charges.

Penal charges will be levied on Financial and Non-Financial Terms as below:

i.	Penal charges in case of breach of Financial Terms	<ul style="list-style-type: none"> • If principal instalment/s, interest and/ or redemption premium due are delayed, penal charges of 2% p.a. for delayed period on the unpaid amount (calculated from due date till date of payment) will be payable • If the delay leads to a default event, provisions under Event of Default clause to be applicable
ii.	Penal charges for delay in security creation	<ul style="list-style-type: none"> • In case of delay in security creation, penal charges of 2% p.a. on the total outstanding amount to be levied for the number of days of such delays.
iii.	Other Penal Charges on Key Items	<ul style="list-style-type: none"> • Penal charges of 1% p.a. on the total outstanding amount for the number of days of delay to be charged, in case of delays in meeting the below key items within the stipulated timelines – <ul style="list-style-type: none"> ○ Loan structure specific CS attracting penal for non-adherence as detailed in the sanction letter & facility documents. ○ Perfection of security in favor of the Lender ○ Applicable Debt Service Reserve Account (DSRA) to be created. ○ End use certificate to be provided. ○ Deposit of undated / post-dated cheques for scheduled interest and principal instalments with the trustee / escrow agent. ○ Any other condition explicitly captured in the sanction letter attracting penalty for non-adherence.

- For clause 1.2.(iii) above, only 1% penal charge to be levied irrespective of the number of breaches therein in the said clause.
- For consortium / syndicated facilities we may have to follow lead lender's terms.
- A cure period (only for non-financial penal charges) of 3 months may be provided by the lender for charging 'Other Penal Charges on Key Items'.
- Waiver of penal charges can be done at the lender's discretion as per the DOP matrix.

1.3 Applicability and Custodian of the Policy

This policy is applicable for the CMML Business of PCHFL.

The parameters, thresholds and approval requirements would be applicable for all new and existing loans from the date of acceptance of this policy.

Custodian of the CMML Penal Charges Policy will be the Credit department.

1.4. Review of the Policy

The Penal Charges Policy shall be reviewed as and when required. Any amendment in the Policy shall be made after taking the due approval from the Board of Directors of PCHFL and it shall be in line with RBI or such other regulators/government bodies, municipal corporation, approving authorities based on their laws, regulations, requirements/updates/ amendments from time to time.

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