

Background

RBI vide circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 issued guidelines on Fair Lending Practice - Penal Charges in Loan Accounts. As per these guidelines, Regulated Entities (REs) have to formulate Board approved policy for levy of penal charges, accordingly 'Policy of Penal charges' has been formulated by NeoGrowth ("The Company")

Objective of the Policy:

The objective of levying penal charges is essentially to inculcate a sense of credit discipline and to ensure transparency in the disclosure of penal charges. The penal charges will be levied for non-compliance of material terms and conditions of loan contract by the customer.

Penal Charges: In the event, any amount due and payable by the Borrower or the Guarantor to the Lender remains unpaid, The Company shall be entitled to penal charges on monthly basis of such amount ("Penal Charges") for such default.

Clear Communication with borrowers –

- The quantum and reason for penal charges shall be clearly disclosed by The Company to the customers in the loan agreement, sanction letter and Key Fact Statement (KFS), in addition to being displayed on The Company's website (Schedule of Charges)
- Whenever reminders for non-compliance of material terms and conditions of the loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason, therefore, shall also be communicated.

Principles for determining Penal Charges

- In case of default, Penal Charges shall be applicable to the customer.
- In case, a customer is > 10 DPD (Days past Due) in a month, Penal Charges will be levied for the month basis below grid
- Penal charges will be applicable on the overdue instalment (Principal + Interest) amount
- Penal Charges will be levied to the customer at the end of each month

Penal Charges applicable will be according to below grid:

Overdue Instalment Amount	Monthly Penal Charges
Less than Rs 20,000	Rs 500 + Applicable Tax
Rs 20,001 to Rs 250,000	Rs 750 + Applicable Tax
Rs 250,001 and above	Rs 1,000 + Applicable Tax

The above charges shall apply on all loans.

These charges can be waived only as per process defined internally.

This Policy should be reviewed as and when required.

Notes:

- 1) The quantum of penal charges shall be reasonable and without being discriminatory within a particular loan / product category.
- 2) 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.
- 3) Penal charges may be different within the same product category depending upon the overdue instalment amount
- 4) The structure of penal charges within a particular loan / product category shall be uniform irrespective of the constitution of the borrower.
- 5) Material terms and conditions of loan contract are as per 'events of default' as mentioned in the Loan agreement.

Policy has been approved by Board of Directors.