

GROWXCD FINANCE PRIVATE LIMITED	
POLICY	Penal Charges Policy
Reviewing Authority:	Board of Directors
Approving Authority:	Board of Directors
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PENAL CHARGES POLICY

Applicability

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

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 NBFCs/Regulated Entities (REs) to ensure reasonableness in levying Penal Charges and also maintain transparency in disclosure on the same. NBFCs/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.

Penal Charges: Policy terms

- The Company shall not levy Penal 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.
- 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.
- The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- 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.
- 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.
- 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.
- 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.

- Reminders/ letters for non-compliance of material terms and conditions of loan sent to borrowers shall mention the applicable penal charges.
- Any grievances relating to the penal charges shall be addressed in line with the Grievance Redressal Policy and Fair Practice Code.
- The Company shall establish a mechanism in place to periodically monitor and review the implementation of the policy.

Products and effective Penal charges

- Penal charges would be applicable for all the loan products offered by the Company.
- 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, and relevant document of the Company.

Effective date:

The Policy will be effective from the date of Board Approval.

Other Norms:

Applicable taxes would be charged over and above the various charges to be levied.