

POLICY ON PENAL CHARGES

VERSION – V1

Created pursuant to RBI's circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 read with Master Direction – RBI (NBFC – Scale Based Regulation) Directions, 2023 dated 19-Oct-2023 and approved in the Board of Directors 32nd Meeting held on 06-Jun-2025

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1. Introduction

In its circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, the Reserve Bank of India (RBI) introduced the concept of penal charges as part of the Fair Lending Practices for loans by banks and NBFCs. Regulated Entities (REs) must ensure that penal charges are disclosed with transparency and fairness, necessitating the formulation of a Board-approved policy for the imposition of such charges.

2. 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.

3. Applicability & Timelines for Implementation

The policy penal charges shall be applicable to all loan product offerings of Kaleidofin Capital Private Limited (The Company).

The instructions mentioned in the RBI circular shall come into effect from April 1, 2024. In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review/ renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

3.1 Penal Charges: Policy terms

1. Penal interest shall not be levied by the Company
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 these 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 to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company website under

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Interest rates and Service Charges.

7. Reminders/ letters for non-compliance of material terms and conditions of loan sent to borrowers shall mention the applicable penal charges.

3.2 Applicable Penal Charges

1. Penal Charges (defined below): In line with the product specifications on principle overdue amounts (Plus applicable taxes) for the prorated tenor of days in default.

"Penal Charges" means the charges payable by the borrower in the event of borrower's failure to comply with any of the terms of sanction of the Facility or failure to pay the EMIs accruing due to the Lender, as per the Financing Documents.

2. Bounce Charges: In line with the product specifications for each instance of bounce. "Bounce Charges" means the amount payable by the borrower to the Lender as a penalty where the Payment instrument issued by the borrower is not honored by the issuing banks.
3. Late Payment Collection Charges: In line with the product specifications after 3 days of due date for initiating collection proceedings.
4. Foreclosure Charges: In line with the product specifications.

4. Effective date:

These instructions shall come into effect from April 1, 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 the next review/ renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

5. Review:

The Penal charges policy shall be subject to review by the Board of Directors periodically as per requirement.

Policy on Penal Charges – V1**MODIFICATION TRACKER**

Version	Date	Reviewed by	Approved by	Remarks
1.0	06-Jun-2025	Charudutta, CBO	Board	-