



PENAL INTEREST POLICY

OF

SATIN FINSERV LIMITED

(VERSION 1- 1.07.2024)



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Document Title:	Penal Interest Policy		
Description:	Penal Interest Policy of Satin Finserv Ltd.		
Created By:	Accounts department		
Date Created:	1.07.2024		
Date of Modification	Nil		
Maintained By:	Accounts department		
Version Number	Prepared/Modified by	Date of Preparation/Modification	Status
Version 1	Arjun Bansal, Chief Financial Officer and Head IT	1.07.2024	Approved by the Board on July 24, 2024



1. Introduction:

The Reserve Bank of India issued Notification in the form of Circulars DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023) which states about Fair Lending Practice - Penal Charges in Loan Accounts. RBI advised the NBFCs to levy the Penal charges in case of non-compliances or and any violations as expressly indicated by NBFCs and to disclose the amount of Penal charges, terms & Conditions of applicability and rationale for charging the penal charges from defaulter borrowers.

Keeping in view the RBI Guidelines in the form of Circulars cited above, the internal guiding principle have been laid out by the Board of Satin Finserv Limited (hereafter referred to as "SFL" or "Company"). This policy should always be read in conjunction with RBI's guidelines, directives, circulars, instructions and FAQ issued from time to time. SFL ensures fair practice and transparency to its customers and accordingly this Penal charges Policy is also published on Company's website i.e. www.satinfinserv.com. This policy outlines the principles and procedures for imposing penal charges in loan accounts.

2. Scope/ Objective:

This policy applies to all loan products offered by SFL to Individual and Non-Individual Borrowers.

The **objective** of this policy is to:

- Inculcate credit discipline among borrowers;
- Ensure transparency and reasonableness in the imposition of penal charges; and
- Minimize customer grievances and disputes related to penal charges.

3. Principles/ Terms and Conditions:

- Penal charges for non-compliances with loan terms shall be treated separately from the interest rate and shall not be added to the interest rate charged on loans. Further, no Additional penal charges be levied on the earlier outstanding amount of penal charges.
- Penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract.
- Penal charges for individual borrowers (non-business purposes) shall not exceed those for non-individual borrowers for similar non-compliance.
 - The quantum and reasons for penal charges shall be clearly disclosed to customers in loan agreements, terms & conditions/Key Fact Statement, and on Company's website under schedule of charges and rates. The Penal charges levied by the Company are given in the below mentioned table.

Particular	Defination/Formula	Remarks
Penal Interest	$(EMI \text{ amount overdue} * \text{Default days} * 24\%) / 365$	Penal charges will be levied on the unpaid EMIs due from the customer at the rate of 24% per annum for the number of days such due EMIs remain unpaid. No compounding of penal charges.
PDC/ECS/NACH Bounce Charges	INR 500 + Applicable taxes	(INR 500 + Applicable taxes for each bounces)



4. Time to levy/ Procedure:

The Penal Charges shall be imposed in the following procedure:

- Whenever reminders for non-compliance of material terms and conditions of the loan are sent to borrowers, the applicable penal charges shall be communicated.
- Any instance of the levy of penal charges and the reason therefor shall also be communicated to the borrower.
- Penal charges shall not be capitalized, i.e., no further interest shall be computed on such charges.
- Interest is charged from the date of actual disbursement of funds to the customer and not from the date of loan sanction or execution of the loan agreement.

5. Implementation:

This policy shall come into effect from July 1, 2024 and the Company shall ensure its implementation in respect of all fresh loans availed/renewed from the effective date.

For existing loans, the transition to the new penal charges regime shall be ensured on the next review or renewal date or within six months from the effective date of this policy, whichever is earlier.

6. Application of Interest:

SFL shall adopt a practice of charging interest only for the period the loan was outstanding during the month, in cases of mid-month disbursal or repayment.

Interest shall not be charged for the entire month when loans are disbursed or repaid during the course of the month, ensuring fairness and transparency in interest calculation.

7. Review and Amendment:

A board-approved policy on penal charges or similar charges, if any on loans shall be formulated, reviewed periodically, and updated as necessary. This policy shall be reviewed periodically to ensure its effectiveness and may be amended as required with the approval of the board of directors.

8. Communication:

This policy shall be communicated to all concerned departments and their Head of Departments of the Company to comply this policy in true and letter spirit.

9. Documentation:

A copy of this policy shall be maintained in the records of the Company and made available for inspection by regulatory authorities.

