

**POLICY ON PENAL
CHARGES ON
CREDIT
EXPOSURES OF
IFCI FACTORS
LIMITED**

(Based on RBI Circular on Penal Charges)

(Applicable w.e.f. April 01, 2024)

**IFCI Factors Limited
New Delhi**

Policy on Penal Charges on Credit Exposures of IFCI Factors Limited

- a) Penalty or penal interest, if charged, for non-compliance of material terms and conditions in the facility documents 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 shall be computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

- b) Default in repayment by the borrower is also a type of non-compliance of material terms and conditions of the facility agreements by the borrower and penalty, if charged, for such default may only be levied in the form of penal charges and not penal interest. Further, it must be ensured that there is no capitalization of the penal charges i.e., no further interest computed on such charges.

- c) No additional component to the rate of interest other than the penal charges shall be charged. Further, additional penal charges cannot be levied on the earlier outstanding amount of penal charges.

- d) The quantum of penal charges that shall be applicable for noncompliance of material terms and conditions as per the facility agreements shall be as below:

Non-compliance as per facility agreements	Penal Charge			
Default in principal / interest / other debits in any facility	2% p.a.			
Any other non-compliance(s)	The penal / additional interest / liquidated damages already mentioned in the existing facility agreements shall be henceforth chargeable as "penal charges". In case the quantum of the penal / additional charges are not mentioned explicitly in the facility agreements, as also in case of future exposures, the penal charges that shall be applicable in case of non-compliances other than default in principal, interest and other debits shall be as follows:			
	Non-compliances	Quantum of penal charges (p.a.)		
	Non-creation of any security as per sanction terms	Time Period	Penal charge	Total Penal charge

	Up to 3 months	1.00%	1.00%		
	Next 3 months	0.50%	1.50%		
	Further extension based on credit rating, payment record, group standing etc.	0.50%	2.00%		
	Misrepresentation	1.00%			
	Mis-utilization of disbursed amounts	1.00%			
	Breach of financial covenants	0.25% (per covenant)			
	Non-submission of requisite certificates/undertakings etc.	0.5% (per certificate/undertaking)			
	Cross default	1.00%			
	Change in capital structure without lender's consent	1.00%			
	Merger/amalgamation without lender's consent	1.00%			
	Disposal of assets without lender's consent	1.00%			
	Declaration of dividend without lenders' consent	1.00%			
	Non-submission of financial statements (audited)	0.50%			
	Failure to obtain insurance of charged assets	0.50%			
	Government action (as per provisions of Companies Act, or otherwise)	1.00%			
	Material adverse changes (as per facility agreements)	1.00%			
	Overall non-cooperation of borrowers (after declaration as per RBI guidelines)	1.00%			
	Any other breach of covenant /non-compliance not listed above and are part	0.50% (per non-compliance)			

	of the facility agreements	
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The penal charges on account of default and / or other non-compliances as above, shall be capped at 3% p.a. over and above the existing rate of interest being charged. In case of NPA accounts, the penal charges shall be applicable at flat rate of 3% p.a.

- e) In case of consortium accounts, the applicability of penal charges shall be in line with the consortium and the cap of 3% p.a. shall not be applicable and the Head of Credit & Recovery shall be the competent authority to approve the same.
- f) The penal / additional interest / charges crystallized up to March 31, 2024 shall remain unchanged. In case of NPAs, the guidelines on charging the penal charges shall be applicable from April 01, 2024 and in case of Standard Accounts, the penal charges shall be applicable starting from next review date falling on or after April 01, 2024, but not later than June 30, 2024, whichever is earlier.
- g) The quantum and reason for penal charges shall be clearly disclosed to the borrowers / obligors in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on IFL's website under Interest rates and Service Charges.

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 therefore shall also be communicated.
