Below are the sample scenarios of calculation of penal charges for various types of loans and revision

Existing Penal Charges for Home Loans /Personal Loan /Education Loan /Wheels/Term Loan

Material Terms & Conditions	Penal Charge (Policy)	How it is calculated (Existing)
Financial Default	Financial Default – Penal charge of 8% p.a. above applicable interest rate, subject to total charges not exceeding 24% p.a. per instance. There is no capitalisation of penal charges. Financial default includes all types of payment or financial irregularities related to the loan account.	**Example:** Overdue EMI amount: **₹10,000** Loan interest rate: **20% p.a.** Penal charge: **8% p.a.** Overdue period: **30 days** Since interest (20%) + penal charge (8%) = **28%**, but the maximum allowed is **24%**, the interest rate is reduced to **16%**. **Interest on overdue EMI:** ₹10,000 × 16% × 30/365 = **₹132.00** **Penal charge:** ₹10,000 × 8% × 30/365 = **₹65.75** **Total charges payable:** ₹132.00 + ₹65.75 = **₹197.75**

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Revised Penal Charges – Home Loans /Personal Loan /Education Loan /Wheels/Term Loan

Material Terms & Conditions	Penal Charge (Policy)	How it is calculated (Revised)
Financial Default	**Financial Default –** 8% p.a. on the overdue amount (subject to aggregate penal charges not exceeding ₹1,00,000 (INR One lakh) or minimum of ₹300 (INR Three hundred) whichever is higher per instance) There is no capitalisation of penal charges.	**Example:** Overdue EMI amount: **₹10,000** Loan interest rate: **20% p.a.** Penal charge rate: **8% p.a.** Overdue period: **30 days** **Interest on overdue EMI (charged separately):** ₹10,000 × 20% × 30/365 = **₹164.38** **Penal charge:** ₹10,000 × 8% × 30/365 = **₹65.75** Since penal charge is less than ₹300, the minimum penal charge of ₹300 applies. **Penal charge payable = ₹300** **Total charges payable:** ₹164.38 (interest) + ₹300 (penal charge) = **₹464.38**

Existing Penal Charges for Loan Against Property, Loan Against Securities, Working Capital Finance (OD, CC & TL) , Bank Guarantee (BG)

Material Terms & Conditions	Penal Charge (Policy)	How it is calculated (Existing)
Financial Default	8% p.a. above current applicable interest rate on the overdue amount (Penal charge not exceeding ₹ 1,00,000 (₹ One lakh) Financial Default includes all types of payment or financial defaults/irregularities with respect to the Loan Account. There shall be no capitalisation of Penal Charges	**Example:** Outstanding / Utilised Amount: **₹1,10,00,000** Unpaid Interest / Instalment (Overdue Amount): **₹25,000** Overdue Period: **10 days** Penal Charge Rate: **8% p.a**. Penal charges are applied only on the overdue amount, not on the full outstanding. Penal Charge=₹25000×8%×10/365 =**₹ 54.79 (approx.)** Regular interest will continue on the outstanding loan amount. Penal charges at 8% per annum will be charged monthly on the overdue amount until it is paid. No interest will be charged on the penal charges. Penal charges are capped at **₹1,00,000** per instance.

Revised Penal Charges for Loan Against Property, Loan Against Securities, Working Capital Finance (OD, CC & TL), Bank Guarantee (BG)

Material Terms & Conditions	Penal Charge (Policy)	How it is calculated (Revised)
Financial Default	8% p.a. on the outstanding amount (subject to aggregate penal charges not exceeding ₹1,00,000 (INR One lakh) or minimum of ₹300 (INR Three hundred) whichever is higher per instance) There shall be no capitalisation of Penal Charges	**Example:** Outstanding / Utilised Amount (including overdrawn): **₹1,10,00,000** Unpaid Interest / Instalment (Overdue Amount): **₹25000** Overdue Period: 1**0 days** Penal Charge Rate: **8% p.a.** Minimum Penal Charge: **₹300 per instance** Penal charges are applied only on the overdue amount, not on the full outstanding. Penal Charge=₹25000×8%×10/365= **₹54.79(approx.)** **Since the calculated penal charge on the overdue amount for 10 days comes to less than ₹300, the minimum penal charge of ₹300 per instance is applied.**

**********End of Document**********