

## **PENAL CHARGES ON ADVANCES W.E.F 01.04.2024**

Broadly, the trigger events where penal charges may be levied are as under:

- a) Default in repayment of loans;
- b) Irregularities in cash credit / Overdraft accounts;
- c) Non-payment of demand bills on presentation and non- acceptance/non-payment of usance bills on due dates;
- d) Overdue bills either not debited in case of ODD or where Drawing Power is not reduced in case of Advance against Bills for Collection bills (ABC bills);
- e) Non-submission of stock statements;
- f) Non Submission of documents for review/renewal;
- g) Excess borrowings arising out of excess current assets;
- h) Non-submission of information under the Quarterly Monitoring System (QMS) as per the terms & conditions of sanction;
- i) Non creation/perfection of Security as per Terms and conditions of sanction;
- j) Non Compliance of Terms & Conditions of sanctions (other than specified above); and
- k) Non submission of external rating by eligible borrowers.

Penal charges for the period of default is to be levied as under:

- I. On the amount of default/irregularity
  - (i) For any one of trigger events stated at point no. (a) to (d) above: 2.00% p.a.
  - (ii) For two or more trigger events stated at point no. (a) to (d) above: 3.00% p.a.
- II. On the total outstanding
  - (i) For one or more trigger events stated at point no. (e) to (j) above: 2.00% p.a.

Note for I and II: If the trigger events are a combination of point (a) to (d) and point (e) to (j) then penal charges shall be capped at 4% p.a., i.e., 2% on the default/irregularity and 2% on the outstanding amount.

- III. For trigger event stated at point (k): 1.00% p.a. on the Limit sanctioned (FB+NFB) or actual outstanding (for term loans/EMI based facility) as the case may be.

***GST is not applicable on Penal Charges.***

## **EXEMPTIONS FROM LEVYING OF PENAL CHARGES**

Penal charges should not be levied in the following areas:

- a. All advances up to ₹25000/-.
- b. Advances by way of reconstruction or nursing assistance to sick units in cases at para above (except point (h)). Thus, non-submission of QMS statements would attract penal charges as per the terms & conditions of sanction.
- c. Sick industrial units which remain closed.
- d. Advances against deposits, life insurance policies & Government securities/gold where the drawings are within the available value of the security.