

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) Non-submission of stock statements;
- e) Non Submission of documents for review/renewal;
- f) Excess borrowings arising out of excess current assets;
- g) Non-submission of information under the Quarterly Review System (QRS) as per the terms & conditions of sanction;
- h) Non creation/perfection of Security as per Terms and conditions of sanction;
- i) Non Compliance of Terms & Conditions of sanctions (other than specified above); and
- j) 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 (c) above: 2.00% p.a.
 - (ii) For two or more trigger events stated at point no. (a) to (c) above: 3.00% p.a.
- II. On the total outstanding
For one or more trigger events stated at point no. (d) to (j) above: 2.00% p.a.

Note for I and II: If the trigger events are a combination of point (a) to (c) and point (d) 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 (j): 1.00% p.a. on the Limit sanctioned (FB+NFB) or actual outstanding (for term loans/EMI based facility) as the case may be.

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 (g)). Thus, non-submission of QRS 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.