

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.

The penal charges shall attract GST at the applicable rates.

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.