

**POLICY ON PENAL CHARGES**

<b>Western Capital Advisors Private Limited</b>	
Policy Title	Policy on penal charges
Reviewing & Approving Authority	Board / Risk Management Committee
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**Amendment History**

<b>Serial No.</b>	<b>Version No.</b>	<b>Effective date</b>	<b>Remarks</b>
1.	1.0	01/07/2019	Approved as a part of Fair Practice Code in BM dated 01/07/2019 and amended at BM dated 05/02/2024 & 17/05/2024
2.	1.0	03/02/2026	Approved separately as “Policy on Penal Charges” Policy in BM dated February 03, 2026.

## **Policy on penal charges**

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## **1. Introduction**

Western Capital Advisors Private Limited (WCAPL), is a Reserve Bank of India (RBI) registered Non-Banking Financial Company not accepting public deposits. The Company is engaged in the business of providing loan and other financing facilities.

The Reserve Bank of India has issued Notifications No. (RBI/ 2023-24/53/DoR.MCS.REC.28/01.01.001/2023-24) dated August 18, 2023 and RBI/2023-24/102 DoR.MCS.REC.61 /01.01.001 / 2023-24 dated December 29, 2023, on Fair Lending Practice -Penal Charges in Loan Accounts and relevant clarifications issued by RBI from time to time.

NBFC's are required to ensure reasonableness and transparency in disclosure of levy of penal charges. Accordingly, the Board of Directors of WCAPL has formulated and adopted this Policy on Penal Charges.

## **2. Objective**

This Policy is to put in place governing principles in the determination of penal charges. Penal charges are levied with an intended objective to drive credit discipline in the conduct of the account and such charges shall not be used as a revenue enhancement tool over and above the contracted rate of interest.

This policy shall be applicable to all loan product offerings of WCAPL.

## **3. General Principles**

- 3.1 The Company may charge Penalty for non-compliance of material terms and conditions of loan contract by the borrower and the same 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 computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- 3.2 The Company shall not introduce any additional component to the rate of interest.
- 3.3 The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- 3.4 The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- 3.5 The quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) and in addition the same also be displayed on Company website.
- 3.6 Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

#### 4. Product Level Penal Charges

WCAPL offers following categories of loans:

- i. Institutional finance lending
- ii. Retail Partnership Loan
- iii. Prabhaav Loans

Penal Charges shall be levied for non-compliance with the material terms and conditions of the Loan Contract. Default in repayment by the Borrower shall also be considered as non-compliance of material terms and conditions of Loan Contract and penalty, shall be levied in the form of penal charges by the Company on the amount of default. The product level penal charges is as under:

Sl.No.	Product	Penal Charge
1	Institutional finance lending	36 % per annum on default amount, calculated from the due date of such EMI until the date of full realization.
2	Retail Partnership Loan	Upto 36 % per annum on defaulted amount, calculated from the due date of such EMI until the date of full realization.
3	Prabhaav Loans	36% per annum on defaulted amount, calculated from the due date of such EMI until the date of full realization.

#### 5. Waiver of Penal Charges

- 5.1. Waiver of Penal Charges may be considered for genuine cases like operational difficulties of the borrower which led to such delay in payment / irregularity / non-compliance of material terms and conditions (e.g., natural calamity, suspension in business, etc.)

Following Factors shall also be considered for granting waiver of penal charges: -

- i. Financial Condition / Performance of the Borrower
- ii. Conduct of Loan Account
- iii. Security Available for enforcement, if any.

#### 6. Review/ Amendment

- 6.1. The Policy shall be reviewed as and when considered necessary, but at least once a year. Any amendment to the Policy shall be presented to the Risk Management Committee and/or Board for approval.