
Policy on Penal Charges

1. Background

Shapoorji Pallonji Finance Private Limited (SPFPL / the Company), is registered with the Reserve Bank of India (RBI) as Non-Banking Financial Company not accepting public deposits and in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (hereinafter referred as RBI Scale Based Framework) has been classified as Non-Banking Financial Company not accepting public deposit-Investment and Credit Company-Middle Layer (NBFC-ND-ICC-ML). The Company is engaged in the business of financing and lending mainly Supply Chain Financing (including Vendor Financing) and Corporate Structured Lending with a focus on providing innovative and structure debt solutions to Corporates, Real Estate Financing.

2. Objective

RBI has issued Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (RBI Directions) *inter alia* Fair Lending Practices, Penal Charges in Loan Accounts, etc.

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.

3. Effective Date

This Policy on penal charges shall apply to loans sanctioned by Shapoorji Pallonji Finance Private Limited in accordance with the following guidelines:-

- For all loans sanctioned on or before December 31, 2025, penal charges will be governed by the existing framework, also referred to as the "old regime," as specified in paragraph 5(I) of this policy.
- For loans sanctioned on or after January 1, 2026, penal charges will be determined and applied according to the revised framework, referred to as the "new regime," as detailed in paragraph 5(II) of this policy.
- In cases where loans are sanctioned under the old regime, the application of penal charges as per the new regime shall take effect at the time of review, renewal, revalidation, enhancement, or similar actions undertaken by the Business Team in conjunction with control groups.

4. General Principles

Penal charges for the purpose of this Policy represent charges/ penalty levied for non-compliance of material terms and conditions of loan contract by the borrower. Material terms and conditions shall mean the Terms and Conditions of the Loan which have been defined / classified as ‘Material Terms and Conditions’ in the Term Sheet, Sanction Letter, etc; in

accordance with the Board approved Product Policy and Credit Policy and agreed between the Company and the Borrower. Further, the Penal Charges shall not be levied in the form of "Penal Interest" that is added to the rate of interest charged on the loan i.e. contracted rate of interest.

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. The Company shall not introduce any additional component to the rate of interest.

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 (Supply Chain Finance, Corporate Loans; etc;).

The quantum and reason for penal charges shall be clearly disclosed to the customers in the Sanction Letter, Term Sheet, etc;. Any change in this Policy (on account of change in regulation or otherwise) shall be communicated to the borrower.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to the borrowers, the applicable penal charges shall be communicated. Further, in case of instance of levy of penal charges, the penal charges along with the reason thereof shall also be communicated.

The applicable Penal charges shall be clearly disclosed to the Borrower in the Sanction Letter, Term Sheet, Financing Documents, etc;

5. Product Level Penal Charges

SPFPL offers following categories of loans:-

- Supply Chain Financing
- Corporate 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 penal charges will be computed as:

I. Old regime

For the loan sanctions upto December 31, 2025:-

Product	Penal Charges
Supply Chain Financing	6% p.a.
Corporate Loans	6% p.a.

II. New regime (effective January 1, 2026)

For the loan sanctions on and after January 01, 2026 :-

Product	Penal Charges
Supply Chain Financing	12% p.a.
Corporate Loans	12% p.a.

In case of loans sanctioned under old regime, the applicability of penal charges under new regime shall be applicable at the time of review / renewal/ revalidation / enhancement, etc undertaken by the Business Team along with control groups.

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:-

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

6. Review/ Amendment

This Policy shall be a subset of the Interest Policy of the Company. The Policy shall be reviewed by the Board of Directors on an annual basis. Further, any amendment to the Policy shall be done with the prior approval of the Board of Directors.

7. Limitation

In the event of any conflict between the provisions of this Policy and of the RBI Directions, Guidelines, Circulars, Notifications, etc, the RBI Directions, etc shall prevail over this Policy.