



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

POLICY ON FAIR LENDING PRACTICE – PENAL CHARGES IN LOAN ACCOUNTS

INTRODUCTION AND EXECUTIVE SUMMARY

This is apropos the direction of the Reserve Bank of India (RBI) under DoR.MCS.REC.28/01.01.001/2023-24 dated 18/08/2023 related to **“Fair Lending Practice – Penal Charges in Loan Accounts”**. The guidelines came into effect from 01/01/2024 for new/fresh loans (extended further till 01/04/2024 vide circular no.DoR.MCS.REC.61/01.01.001/2023-24 dated 29/12/2023), whereas for existing loans, it was advised to ensure switchover (to penal charges regime) not later than 30/06/2024 (if not earlier).

The directions mandated that penalty levied in case of default in repayment of principal and/or interest within due date and/or for non-compliance of material terms and conditions of the loan contract by the borrower will be treated as “penal charges” (and not penal interest), and will not be levied in the form of compounding of interest on the loan accounts. Besides, there shall be no capitalization of penal charges i.e. no further interest computed on such charges. **However, the process permitted the normal procedure for compounding of interest in the loan account (applicable on unpaid EMIs/PEMIs).**

In this respect, prior to implementation of the above directions by RBI, the general term of SHCL stated “Penal Interest” @ 24% p.a., **even though in reality, actual levy was much less, i.e. generally at the contracted/regular rate of interest applicable in the concerned defaulting loan.** Moreover, the levy was applicable only in case of delay in repayment of overdue EMI/PEMI (beyond the due date/s i.e. last day of every calendar month) and calculated for the actual duration of delay of a particular EMI (part or full), **and NOT for default/delay/non-compliance in remaining material term and conditions. Thus, penal interest (penal charges) though enforced as “penal”, was otherwise purely, normal interest on unpaid/overdue EMIs/PEMIs.**

Therefore, it can be discerned from the above submission of facts, that the sole intent behind the said levy was to ONLY ensure that the “actual loss of normal interest” to the company, for non-payment and/or delayed payment of EMI(s) as per the Amortization Schedule, and as agreed by the Borrowers in accordance to the conditions of Sanctions and the Loan Agreement), is recovered. As such, the levy remained in accordance to the spirit of the guidelines of RBI/NHB (earlier), which permitted the normal procedure for compounding of interest in the loan account in case of “default in repayment” by the borrower/s. The above is further elucidated by RBI in their recent directions under “RBI (NBFC – Responsible Business Conduct) Directions, 2025 issued under no.DOR.MCS.REC.No.281/01-01-039/2025-26 dated 28/11/2025 under Para 30 stating that HFCs may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.

This Policy is approved for implementation pursuant to review of the Board of Directors of the Company in their meeting to be held on February 13, 2026



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

It is also pertinent to mention that as a matter of principle and prudence, SHCL never compounded Penal Interest (now Penal Charges). The levy was even explicitly disseminated in every documents of the company viz the MITC, Loan Agreement, KFS, FPC etc., for borrower/customer awareness and transparency. Also, we reiterate that SHCL did not levy any penal interest (now penal charges) of any sort (other than normal charges listed in the *Fee Based Services, Charges & Levies*) from the Borrower for any non-compliance of material terms and conditions of the loan.

From the above, it can be inferred that Penal Interest (levied earlier, and now replaced as “Penal Charges”) was not meant to be a source of revenue for the company but a lawful inflow intended to ONLY recover the “contracted rate of interest on default EMIs/PEMIs”, a process that was in complete harmony with regulatory directives in place. Further, the process also support the submission of the company of not encouraging recovery/levy of any “penalty” (over and above the contracted rate of interest), earlier in the form of penal interest, and now as penal charges, for delay/default in repayment of EMIs/PEMIs by borrowers, **even though, said levy was permitted, albeit at reasonable rates.**

As the above practice remained in force since commencement of business under the present management and considering it was in consonance with the spirit of the regulatory guidelines covered under circular dated 18/08/2023, the company only replaced “Penal Interest” with “Penal Charges” in all its documents, and inadvertently did not formulate the Board approved policy on penal charges (as its levy in the form of “Penal Charges” was purely meant to recover the regulatory permissible “contracted rate of interest” applicable to a defaulting borrower. The same was an inadvertent omission, and recently observed by the supervisor (NHB) during the course of their last concluded inspection of the company for position as on 31/03/2025 (undertaken in December, 2025), wherein the “penal interest (penal charges)” levied @ 24% p.a. has been considered as “not reasonable”.

It was thus thought prudent to formulate a policy in this connection in accordance to the directions of RBI encompassed in their circular dated 18/08/2023, **and to differentiate between, and also streamline the “normal interest levied in case of delay/default in repayment of EMIs/PEMIs” viz-a-viz “penal charges”, henceforth to be levied in case of non-compliance of material terms and conditions of loan contract by the borrower, subject to approval of the Board.**

The process is further elucidated here-in-below:

INTEREST ON UNPAID/OVERDUE EMI/PEMI & COMPUTATION THEREON:

Normal interest shall be levied at the contracted rate of interest (i.e. regular rate of interest) applicable to a particular borrower loan account on the actual “UNPAID/OVERDUE EMI/PEMI” i.e monthly loan instalments that remained **unpaid (in full or in part) on their respective “Due Date” of repayment.** *In case of SHCL, the “Due Date” of repayment of EMI/PEMI, is the (subject to approval of*

This Policy is approved for implementation pursuant to review of the Board of Directors of the Company in their meeting to be held on February 13, 2026



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

the Board i.e. for December, 2025, it is 31/12/2025 and February, 2026, it is 28/02/2026 and so on. The methodology of calculation of interest on unpaid/overdue EMIs/PEMIs (if any) shall be based on the actual number of days the respective repayment/s (EMI/PEMI) is/are delayed/not paid. While, as per regulatory guidelines, normal interest on unpaid/overdue EMI/PEMI can be capitalized/compounded, but considering the systemic change/configuration necessary in SHCL's existing software, the above normal interest on unpaid/overdue EMI/PEMI shall be computed on simple interest basis (and not compounded) and accounted for on actual collection basis and mentioned in all documents (including Foreclosure Statement) etc. as **"INTEREST ON UNPAID/OVERDUE EMI/PEMI"**. The above mechanism will offer financial relief to defaulting borrowers, as interest on simple interest basis will always be less, in comparison to interest on compounding basis. **The methodology of computation of "Interest on Updaid/Overdue EMI/PEMI" is illustrated in Table I of Annexure A (2 sample cases exhibited).**

(Note: Upon configuration of the systemic change in software (at a later date), the capitalization/compounding of normal interest of unpaid/overdue EMI/PEMI may be commenced pursuant to approval of the Board, abidance to guidelines of RBI/NHB and pursuant to advance intimation to all stakeholders (including borrowers).

PENAL CHARGES FOR NON COMPLIANCE OF MATERIAL TERMS AND CONDITIONS OF LOAN AGREEMENT & COMPUTATION THEREON

Penal charges shall represent charges over and above the applicable interest rates/fees, levied on the Borrower towards the default/breach in complying with the Material Terms and Conditions of the Loan Agreement/Loan Contract, and intended to prevent the Borrowers from defaulting on their committed financial obligations with SHCL, as specified in the Loan Agreement/Loan Contract. Penal charges shall not be capitalized i.e. no further interest computed on such charges.

The list of penal charges for breach of material terms and conditions shall be at the rate specified in the table below:

Penal Charges for non-payment of EMI/PEMI within 3 (three) days of its respective Due Date	6 (six)% p.a. on unpaid/overdue EMI/PEMI or Rs.500/- whichever is higher.
Cheque/ECS/NACH dishonour charges	₹750/- (<i>Rupees seven hundred fifty only</i>) per instance (<i>already disclosed in the Fee Based Services, Charges & Levies</i>)
Non-compliance of terms of sanction within the stipulated period/time line	1 (one)% p.a. on outstanding loan balance calculated for the period of non-compliance or Rs.500/-, whichever is higher/

The methodology of computation of "Interest on Unpaid/Overdue EMI/PEMI" is illustrated in Table - II of Annexure A (2 sample cases exhibited).

This Policy is approved for implementation pursuant to review of the Board of Directors of the Company in their meeting to be held on February 13, 2026



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

The levy of “Penal Charges” shall be strictly in accordance to the directions of RBI/NHB (from time to time)

The quantum and purpose of penal charges shall be clearly disclosed to the customer in the Loan Agreement, MITC, KFS and any other document/s (in the website of the company), as applicable, for the GENERAL awareness of the borrowers/customers, and that such documents shall be updated/revised, pursuant to the approval of the matter by the Board of the company.

SHCL shall strictly abide to the prevailing directions of RBI and all future modifications (from time to time) in respect of “Penal Charges” in letter and spirit.

(Note: Loan Foreclosure statement already issued to borrowers by SHCL, and pending for closure as on date of actual effect of this policy, shall remain in force, till its actual closure/date of validity. Further, no change shall be done in default loan account wherein legal recourse (including action under SARFAESI Act 2002, DRT etc.) have been initiated)

This “Policy on “Fair Lending Practice – Penal Charges in Loan Accounts” comes into immediate effect.

Sd/-
(D J Bagchi)
CEO

Place : Kolkata
Date : February 13, 2026

(Note: “Interest on Unpaid/Overdue EMI/PEMI and computation thereon” has been included in this policy for the sake of illustration only and to demarcate/differentiate it from penal charges. The illustration was deemed necessary, as earlier the normal interest unpaid/overdue EMI/PEMI) was part and parcel of the penal interest (penal charges w.e.f. 01/01/2024 i.e. date of implementation of the RBI circular dated 18/08/2023), levied only in case of non-payment/delayed payment of EMI/PEMI as per the Due Date of repayment, encompassed in the Loan Agreement/Loan Contract.)

This Policy is approved for implementation pursuant to review of the Board of Directors of the Company in their meeting to be held on February 13, 2026

SAHARA HOUSINGFINA CORPORATION LIMITED

CALCULATION OF "INTEREST ON UNPAID OVERDUE EMI/PEMI" AND PENAL CHARGES

Borrower		LAN :		UCID :	
Co-Borrower					
Comm. Add.					
Property Add.					

ILLUSTRATION - I

Loan Amt (Rs.)	1025000
----------------	---------

Sanction Details	
Date	Amount
	1025000

Tenure (Months)	120	(10 yrs)
Balance Tenure	109 Mth	28.02.25

Int. - Variable	ROI	EMI
	12.00%	14706

Disbursement details					
Instl.	Date	Amount	Disb. Due	Ch. No.	Date
1	31.03.24	1025000	0	RTGS	31.03.24

Month	Principal	Interest	Principal Adjustment	Principal Due	Due On	EMI	Received On	Mode of Payment	Remarks	Delay in No. of Days	TABLE - I		TABLE - II	
											Interest on Unpaid/Overdue EMI	Amount (Rs.)	Penal Charges on Unpaid EMI	Amount (Rs.)
1	1025000	10250	4456	1020544	30-04-2024	14706	30-04-2024	ECS		0	12.00%	0	6.00%	0
2	1020544	10205	4501	1016043	31-05-2024	14706	31-05-2024	ECS		0	12.00%	0	6.00%	0
3	1016043	10160	4546	1011498	30-06-2024	14706	30-06-2024	ECS		0	12.00%	0	6.00%	0
4	1011498	10115	4591	1006907	31-07-2024	14706	08-02-2025	Cash		192	12.00%	928	6.00%	464
5	1006907	10069	4637	1002270	31-08-2024	14706	08-02-2025	Cash		161	12.00%	778	6.00%	389
6	1002270	10023	4683	997587	30-09-2024	14706	08-02-2025	Cash		131	12.00%	633	6.00%	317
7	997587	9976	4730	992856	31-10-2024	14706	08-02-2025	Cash		100	12.00%	483	6.00%	242
8	992856	9929	4777	988079	30-11-2024	14706	08-02-2025	Cash		70	12.00%	338	6.00%	169
9	988079	9881	4825	983254	31-12-2024	14706	08-02-2025	Cash		39	12.00%	189	6.00%	94
10	983254	9833	4873	978380	31-01-2025	14706	08-02-2025	Cash		8	12.00%	39	6.00%	19
11	978380	9784	4922	973458	28-02-2025	14706	28-02-2025	ECS		0	12.00%	0	6.00%	0
												3389		1695

Illustration - I, denotes a Borrower who has paid EMI of Month 1 - 3 as per respective due date/s. However, EMI for Month 4 - 10 were NOT paid as per their respective due date/s but paid in full on 08.02.2025 (in cash). Further, EMI for month - 11 was paid as per its due date i.e. 28/02/2025. Computation of overdue interest and penal charges done accordingly on day-wise basis, and illustrative outstanding as on day-end of 28/02/2025 is as per table below:

Outstanding as on 28.02.2025	Amount (Rs.)
Overdue EMI/PEMI	-
Interest on Unpaid/Overdue EMI	3389
Penal Charges	1695
Principal Outstanding (<i>Not Due</i>)	973458
Total	978542

SAHARA HOUSINGFINA CORPORATION LIMITED
CALCULATION OF "INTEREST ON UNPAID OVERDUE EMI/PEMI" AND PENAL CHARGES

ILLUSTRATION - II

Borrower		LAN :		UCID :	
Co-Borrower					
Comm. Add.					
Property Add.					

Loan Amt (Rs.)	1025000
----------------	---------

Sanction Details	
Date	Amount
	1025000

Tenure (Months)	120	(10 yrs)
Balance Tenure	103 Mth.	31.08.25

Int. - Variable	ROI	EMI
	12.00%	14706

Disbursement details					
Instl.	Date	Amount	Disb. Due	Ch. No.	Date
1	31.03.24	1025000	0	RTGS	31.03.24

Charges Calculation oon Unpaid Overdue	
Date	31-08-2025

Month	Principal	Interest	Principal Adjustment	Principal Due	Due On	EMI	Received On	Mode of Payment	Remarks	Delay in No. of Days	TABLE - I		TABLE - II	
											Interest on Unpaid/Overdue EMI	Amount (Rs.)	Penal Charges on Unpaid EMI	Amount (Rs.)
1	1025000	10250	4456	1020544	30-04-2024	14706	30-04-2024	ECS		0	12.00%	0	6.00%	0
2	1020544	10205	4501	1016043	31-05-2024	14706	31-05-2024	ECS		0	12.00%	0	6.00%	0
3	1016043	10160	4546	1011498	30-06-2024	14706	30-06-2024	ECS		0	12.00%	0	6.00%	0
4	1011498	10115	4591	1006907	31-07-2024	14706	31-07-2024	ECS		0	12.00%	0	6.00%	0
5	1006907	10069	4637	1002270	31-08-2024	14706	31-08-2024	ECS		0	12.00%	0	6.00%	0
6	1002270	10023	4683	997587	30-09-2024	14706	08-02-2025	Cash		131	12.00%	633	6.00%	317
7	997587	9976	4730	992856	31-10-2024	14706	08-02-2025	Cash		100	12.00%	483	6.00%	242
8	992856	9929	4777	988079	30-11-2024	14706	08-02-2025	Cash		70	12.00%	338	6.00%	169
9	988079	9881	4825	983254	31-12-2024	14706	08-02-2025	Cash		39	12.00%	189	6.00%	94
10	983254	9833	4873	978380	31-01-2025	14706	08-02-2025	Cash		8	12.00%	39	6.00%	19
11	978380	9784	4922	973458	28-02-2025	14706	28-02-2025	ECS		0	12.00%	0	6.00%	0
12	973458	9735	4971	968487	31-03-2025	14706	31-03-2025	ECS		0	12.00%	0	6.00%	0
13	968487	9685	5021	963466	30-04-2025	14706			Unpaid	123	12.00%	595	6.00%	297
14	963466	9635	5071	958394	31-05-2025	14706			Unpaid	92	12.00%	445	6.00%	222
15	958394	9584	5122	953272	30-06-2025	14706			Unpaid	62	12.00%	300	6.00%	150
16	953272	9533	5173	948099	31-07-2025	14706			Unpaid	31	12.00%	150	6.00%	75
17	948099	9481	5225	942874	31-08-2025	14706			Unpaid	0	12.00%	0	6.00%	0
												3172		1586

Illustration - II, denotes a Borrower who has paid EMI of Month 1 - 5 as per their respective due date/s. However, EMI for Month 6 - 10 were NOT paid as per their respective due date/s, but paid in full on 08.02.25 (in cash). Further, the borrower paid the EMI for Month 11- 12 as per their respective due date/s but again faltered/failed to repay, EMI for Month 13-17 as per their respective due date/s. Computation of overdue interest and penal charges done accordingly on day-wise basis, and illustrative outstanding as on day-end of 31/08/2025 is as per table below:

Outstanding as on 31.08.2025	Amount (Rs.)
Overdue EMI/PEMI	73530
Interest on unpaid/overdue EMI	3172
Penal Charges	1586
Principal Outstanding (Not Due)	942874
Total	947631