

**BAZEL INTERNATIONAL LTD.**  
**POLICY ON PENAL INTEREST AND PENAL**  
**CHARGE**

## **1. Purpose:**

Reserve Bank of India (RBI) vide its Circular DNBS PD/CC No.95/03.05.002/2006-07 dated May 24, 2007 advised that Board of Non-Banking Finance Companies (NBFCs) to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009.

With a view to institute fair and transparent dealings in the lending business, the Company has adopted and put in place the following Interest Rate Policy parallel to the company's Fair Practice Code, in accordance with the RBI circular no. DNBS (PD) CC No.388/03.10.042/2014-15 dated July 1, 2014 and thereafter vide its circular no. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 1, 2015 and vide its Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 and thereafter Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended/ updated from time to time.

The Board of Directors of the Company (“the Board”) while fixing interest rates chargeable from the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the RBI or such other authority from time to time.

Thereafter, in view of the recent amendments in Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 the Board of Directors reviewed and revised the policy in place of the existing policy in their meeting held on 09<sup>th</sup> of January 2025.

## **2. Interest Rate Policy:**

The Board or the Committee shall decide the interest rate and yield for each loan product.

1. Interest charged by the company from its customers shall inter-alia have the following components viz., Base Rate, Risk Rate, Additional/Default Rate.
2. The rate of interest for same product and tenor availed during same period by customers would be different from customer to customer depending upon consideration of any or combination of a few or all factors listed herein below.
  - a) Risk profile and market reputation of the borrower;
  - b) Historical Performance of similar homogenous pools of borrowers;
  - c) Profile, strength, experience, income/ earnings of the borrowers;
  - d) Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
  - e) Type of asset being financed, end use of the loan represented by the underlying asset;
  - f) Nature and value of primary and secondary collateral / security;
  - g) Overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
  - h) Offerings by competitors;
  - i) External ratings etc.
  - j) RBI Policies on credit flow;
  - k) Interest rate trend prevailing in the money market;
  - l) Company's Cost of borrowings
  - m) Structure of the deal

- n) Upfront charges
  - o) Long term prospects of business with the borrower;
  - p) And any other factors that may be relevant in a particular case.
3. The Company shall intimate the annualized rate of interest charged to the customer.
  4. Interest rates shall be intimated to the customers at the time of sanction/ availing of the loan and the equated installments apportionment towards interest and principal dues can be made available to the customer.
  5. The interest rates would be offered on a fixed, floating, or variable basis.
  6. The interest rate, benchmark prime lending rate and other charges would be decided by the Committee from time to time and recommended to the Board.
  7. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and manner deemed fit.

### **Content on the website**

The interest rate policy shall be made available on the Company website

### **3. Penal charges in loan accounts:**

1. Penalty, if charged, for non-compliance of material terms and conditions of the loan contract by the borrower 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 capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.

2. NBFCs shall not introduce any additional component to the interest rate and ensure compliance with these guidelines in both letter and spirit.
3. The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of the loan contract without being discriminatory within a particular loan/product category.
4. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than those to non-individual borrowers for similar non-compliance of material terms and conditions.
5. The quantum and reason for penal charges shall be clearly disclosed by NBFCs to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS), in addition to being displayed on the websites of NBFCs under Interest rates and Service Charges.
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. Documentation/ Processing and other charges:**

1. Besides interest, other financial charges like processing fees, cheque bouncing charges, prepayment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever

considered necessary.

2. Besides the base charges, the service tax and other government charges would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided by the above-mentioned committees.

## **5. Disclosures:**

As per the extant regulations the following disclosures shall be made to the borrower:

1. There shall be appropriate disclosure of the rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers in the application form and communicated in the sanction letter.
2. The annualized rate of interest
3. Interest rates are fixed or variable
4. Frequency of interest payment
5. The penal rate of interest and when is it to be levied
6. Processing fees rate/amount
7. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.
8. The rate of interest for various classes of loan assets as revised from time to time shall also be displayed on the Company's website.

## **6. Non-Cooperative Borrowers:**

The Company shall identify "non-cooperative borrowers". A "non-cooperative borrower" is defined as one who does not provide necessary information required by the Company to assess its financial health even after two reminders; or denies access to securities etc. as per terms of sanction or does not comply with other terms of loan agreements within stipulated period; or is hostile/indifferent/in denial mode to negotiate with the Company on repayment issues; or plays for time by giving false impression that some solution is on horizon; or resorts to vexatious tactics such as litigation to thwart timely resolution of the interest of the lender/s. The borrowers shall be given 30 days' notice to clarify their stand before their names are reported as non-cooperative borrowers.

With a view to discouraging borrowers/defaulters from being unreasonable and non-cooperative with lenders in their bonafide resolution/recovery efforts, the Company shall classify such borrowers as non-cooperative borrowers, after giving them due notice, if satisfactory clarifications are not furnished. The Company shall report the classification of such borrowers to Credit Information Companies (CICs) such as CIBIL, Experian, etc. The Company shall be disclosed to stock exchange (BSE) where borrower is significantly impacting the NBFC's financial health as material events under SEBI (LODR) Regulations, 2015. The Board of the Company shall make restricted provision in respect of new loan/exposures to such borrowers as also new loan/exposures to any other company promoted by such promoters/directors or to a company on whose board any of the promoters/director of this non-cooperative borrower is a director. The provisioning applicable in such cases shall be at the rate of 5 percent, if it is a standard account and accelerated provisioning if it is an NPA.

The Company can enforce the security interest by initiating proceedings under the Securitization and reconstruction of Financial Assets and Enforcement of Security Interest (SARFESI) Act, 2002, provided the loan is prescribed threshold.

The Company may approach the Debt Recovery Tribunal (DRT) if the borrower remains non-cooperative, in accordance with the applicable provision under the Law for the time in force.

The Company may consider filing a civil suit for the recovery of the outstanding dues.

## **7. Review of the Policy:**

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation/information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then the interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.

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**For BAZEL INTERNATIONAL LTD**

**Sd/-  
Pankaj Dawar  
(Managing Director)  
DIN:06479649**