



mPokket

PENAL CHARGES POLICY

OF

MPOKKET FINANCIAL SERVICES PRIVATE LIMITED

Summary of Policy

| Version | Issue & Effective Date | Review Periodicity | Approving Authority | Policy Owner |
|---------|------------------------|--------------------|---------------------|-----------------|
| V1 | 30-10-2023 | As and when | Board of Directors | Compliance Dept |
| V2 | 22-01-2025 | As and when | Board of Directors | Compliance Dept |
| V3 | 26-08-2025 | As and when | Board of Directors | Compliance Dept |
| V4 | 30-12-2025 | As and when | Board of Directors | Compliance Dept |

| Review Date | Next Review | Comments/Remarks/Changes |
|-------------|--------------|--|
| 15-12-2023 | | Review |
| 26-08-2025 | August' 26 | Change in the definition of bounce charges |
| 30-12-2025 | December' 26 | Amendment in bounce and late payment charges including introduction of charges for business loans. |

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1. INTRODUCTION

“mPokket Financial Services Pvt. Ltd.” (MFSPL / the Company) is an RBI registered Non-Banking Financial Company identified as NBFC- Middle Layer “NBFC-ML” in accordance to RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

The Reserve Bank of India “RBI” vide its circular “DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 titled as “Fair Lending Practice - Penal Charges in Loan Accounts” has directed certain Regulated Entities “REs”, including all NBFCs, to frame a policy on penal charges. In compliance with the said requirement, the Board of Directors of the Company has formulated and adopted the Penal Charges Policy, which lays down the broad framework and specific terms and conditions regarding penal charges to be charged by the Company to its borrowers. This policy shall be made effective for fresh loans on or before January 1, 2024 and for existing loans on or before February 18, 2024.

2. SCOPE

This policy applies to all borrowers and all loans disbursed by the Company.

3. KEY PRINCIPLES

In compliance with the referred circular and Directions issued by RBI, the key principles based on which the terms and conditions for penal charges have been framed are as follows:

- The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest.
- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as ‘penal charges’ and shall not be levied in the form of ‘penal interest’.
- There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- No additional component shall be added to the rate of interest.

- The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

4. STRUCTURE OF PENAL CHARGES

Currently, penal charges are only to be levied if repayments are not made by the respective due date and penal charges are not envisaged for any other non-compliances related to other terms and conditions of the loan. To maintain proportionality in levying penal charges, slabs have been created based on the repayment amount due.

Penal Charges for Bullet Loans and instalment Loans (till September 15, 2024)

| Penal Charges | | | | | | | | | | Amount in INR | |
|----------------|------|----------|-----------|-----------|-----------|-----------|-----------|---|-----------------------|---------------------|--------------|
| Instalment Due | | DPD 1-10 | DPD 11-20 | DPD 21-30 | DPD 31-40 | DPD 41-50 | DPD 51-60 | DPD 61 and onward s (for every 10 days) | Maximum Penal Charges | Maximum No. of days | Annualised % |
| 1 | 1000 | 40 | 30 | 30 | 20 | 20 | 20 | 6 | 400 | 460 | 32% |
| 1001 | 1500 | 60 | 45 | 45 | 30 | 30 | 30 | 9 | 600 | 460 | 32% |
| 1501 | 2000 | 80 | 60 | 60 | 40 | 40 | 40 | 12 | 800 | 460 | 32% |
| 2001 | 2500 | 100 | 75 | 75 | 50 | 50 | 50 | 15 | 1000 | 460 | 32% |
| 2501 | 3000 | 120 | 90 | 90 | 60 | 60 | 60 | 18 | 1200 | 460 | 32% |
| 3001 | 3500 | 140 | 105 | 105 | 70 | 70 | 70 | 21 | 1400 | 460 | 32% |

Penal Charges on Instalment (Personal) Loans w.e.f. September 16, 2024

| Penal Charges | | | | | | | | | | Amount in INR | |
|----------------|-------------|----------|-----------|-----------|-----------|-----------|-----------|---|-----------------------|---------------------|--------------|
| Instalment Due | | DPD 1-10 | DPD 11-20 | DPD 21-30 | DPD 31-40 | DPD 41-50 | DPD 51-60 | DPD 61 and onward s (for every 10 days) | Maximum Penal Charges | Maximum No. of days | Annualised % |
| Lower limit | Upper Limit | DPD 1-10 | DPD 11-20 | DPD 21-30 | DPD 31-40 | DPD 41-50 | DPD 51-60 | DPD 61 and onward s (for every 10 days) | Maximum Penal Charges | Maximum No. of days | Annualised % |

| | | | | | | | | | | | |
|------|------|-----|-----|-----|----|----|----|----|------|-----|-----|
| 1 | 100 | 4 | 3 | 3 | 2 | 2 | 2 | 1 | 40 | 460 | 32% |
| 101 | 250 | 10 | 8 | 8 | 5 | 5 | 5 | 2 | 100 | 460 | 32% |
| 251 | 500 | 20 | 15 | 15 | 10 | 10 | 10 | 3 | 200 | 460 | 32% |
| 501 | 1000 | 40 | 30 | 30 | 20 | 20 | 20 | 6 | 400 | 460 | 32% |
| 1001 | 1500 | 60 | 45 | 45 | 30 | 30 | 30 | 9 | 600 | 460 | 32% |
| 1501 | 2000 | 80 | 60 | 60 | 40 | 40 | 40 | 12 | 800 | 460 | 32% |
| 2001 | 2500 | 100 | 75 | 75 | 50 | 50 | 50 | 15 | 1000 | 460 | 32% |
| 2501 | 3000 | 120 | 90 | 90 | 60 | 60 | 60 | 18 | 1200 | 460 | 32% |
| 3001 | 3500 | 140 | 105 | 105 | 70 | 70 | 70 | 21 | 1400 | 460 | 32% |

Penal Charges across loans w.e.f. December 17, 2025

| Amount in Rs. | | | | | | | | | | | | | |
|----------------|----------------------|----------|-----------|-----------|-----------|-----------|-----------|--|------------------------------|---------------------|---------------|--|--|
| Instalment Due | Late Payment Charges | | | | | | | | | | | | |
| Lower Limit | Upper Limit | DPD 1-10 | DPD 11-20 | DPD 21-30 | DPD 31-40 | DPD 41-50 | DPD 51-60 | DPD 61 and onwards (for every 10 days) | Maximum Late Payment Charges | Maximum no. of days | *Annualized % | | |
| 1 | 100 | 4 | 3 | 3 | 2 | 2 | 2 | 1 | 40 | 460 | 32% | | |
| 101 | 250 | 10 | 8 | 8 | 5 | 5 | 5 | 2 | 100 | 460 | 32% | | |
| 251 | 500 | 20 | 15 | 15 | 10 | 10 | 10 | 3 | 200 | 460 | 32% | | |
| 501 | 1000 | 40 | 30 | 30 | 20 | 20 | 20 | 6 | 400 | 460 | 32% | | |
| 1001 | 1500 | 60 | 45 | 45 | 30 | 30 | 30 | 9 | 600 | 460 | 32% | | |
| 1501 | 2000 | 80 | 60 | 60 | 40 | 40 | 40 | 12 | 800 | 460 | 32% | | |
| 2001 | 2500 | 100 | 75 | 75 | 50 | 50 | 50 | 15 | 1000 | 460 | 32% | | |
| 2501 | 3000 | 120 | 90 | 90 | 60 | 60 | 60 | 18 | 1200 | 460 | 32% | | |
| 3001 | 3500 | 140 | 105 | 105 | 70 | 70 | 70 | 21 | 1400 | 460 | 32% | | |
| 3501 | 5000 | 200 | 150 | 150 | 100 | 100 | 100 | 30 | 2000 | 460 | 32% | | |
| 5001 | 7500 | 300 | 225 | 225 | 150 | 150 | 150 | 45 | 3000 | 460 | 32% | | |
| 7501 | 10000 | 400 | 300 | 300 | 200 | 200 | 200 | 60 | 4000 | 460 | 32% | | |
| 10001 | 12500 | 500 | 375 | 375 | 250 | 250 | 250 | 75 | 5000 | 460 | 32% | | |
| 12501 | 15000 | 600 | 450 | 450 | 300 | 300 | 300 | 90 | 6000 | 460 | 32% | | |
| 15001 | 17500 | 700 | 525 | 525 | 350 | 350 | 350 | 105 | 7000 | 460 | 32% | | |

| | | | | | | | | | | | |
|-------|-------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|
| 17501 | 20000 | 800 | 600 | 600 | 400 | 400 | 400 | 120 | 8000 | 460 | 32% |
|-------|-------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|

Note 1: The above annualized % is computed based on the maximum Penal Charges on the upper limit and considering the maximum no of days up to which it shall apply.

Note 2: GST charges will be levied on the above as applicable and will be payable by borrower

Note 3: DPD1 refers to 1 day past due (next day after due date) and so on

The charges are structured keeping in mind the following objectives:

- A fee will be levied every 10 days starting with the date a repayment goes overdue so as to encourage borrowers to make delinquent payments as early as they can to avoid additional charges. However, to not overburden borrowers, a maximum limit will be set on the total fees that can be levied.
- A higher one-time charge on the day a loan goes overdue is meant to encourage borrowers to make their repayments on time. This amount is set at 4% of the amount due (upper limit).
- Once a repayment is overdue, to encourage borrowers to repay within 30 days of due date, the charges on DPD11 and DPD21 are set at 3% of the amount due (upper limit).
- If a repayment continues to be overdue after DPD30, in order to encourage payment within 60 days of due date, the charges on DPD31, DPD41 and DPD 51 are set at 2% of amount due (upper limit).
- If a repayment continues to be overdue beyond 60 days, a charge of 0.6% of amount due (upper limit) will continue to be levied every 10 days until the maximum limit is reached.

- The maximum limit for late charges has been set at 40% of amount due (upper limit), which can be considered to be reasonably high to act as a deterrent for delayed payments and at the same time does not overburden borrowers.

Note: Penal charges shall be rounded up to the nearest rupee. Furthermore for Slab >DPD 61, such penal charges will be multiplied by count of every 10 days.

Example: Installment Amt Rs 250 (Upper limit)*0.60%= Rs.1.5 to be rounded off to Rs 2.

Interest will be levied only on the repayment amount due (and not on late charges) from the due date on a simple interest basis. The interest rate applicable on the repayment amount due will be the same as the interest rate on the respective loan. In order to give relief to borrowers to the extent possible, the interest will not even compound on an annual basis. E.g., for a repayment due of Rs.1100, assuming 24% interest rate, after 24 months from due date, the total interest accrued will be Rs.528 [Rs.1100 * 24% * 2] and not Rs. 691 [(Rs.1100 * (1+24%) ^ 2) - 1].

Further, 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), in addition to being disclosed on the Company website. In addition to reminders sent to borrowers for non-compliance of material terms and conditions of loan, the Borrowers shall also be communicated about the applicable penal charges along with the instance of levy of penal charges and the reason thereof.

5. Bounce Charges:

Bounce Charges shall mean penal charges for dishonor of any payment instrument/mandate resulting into non-payment of installment on their respective due date. This will be applicable only once for each instalment. If a payment is not made by the due date (or within grace period of 1 day) due to dishonor of a payment instrument/mandate, bounce charges will be levied on 2 day(s) after the due date.

Bounce Charges:

| Loan Amount | Bounce Charge |
|-------------|---------------|
| 500 | 25 |
| 1,000 | 50 |
| 2,000 | 100 |

| | |
|-------------------|-----|
| 2,001 - 25,000 | 150 |
| 25,001 - 49,999 | 250 |
| 50,000 - 2,00,000 | 500 |