MUFIN GREEN FINANCE LIMITED

PENAL CHARGES POLICY

V.03

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V.02	Mr. Madhur Goel	Mr. Pankaj Gupta	Board of Directors	03rd February, 2024	03rd February, 2024	Amended pursuant to RBI (NBFC – Scale Based Regulation) Directions, 2023
V.03	Mr. Sumit Garg	Mr. Madhur Goel and Mr. Prakash Pogaku	Board of Directors	02nd September, 2026	02nd September, 2026	Amended pursuant to RBI (NBFC – Responsible Business Conduct) Directions, 2025

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1. INTRODUCTION

Mufin Green Finance Limited (herein after referred as **"the Company"**) is a NBFC-ICC registered with the RBI under the provisions of the RBI Act, 1934 and classified as a NBFC – Middle Layer (NBFC-ML) under Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

The Company is required to frame a policy on penal charges pursuant to the Reserve Bank of India "RBI" Circular No- "RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26 dated November 28, 2025 titled as "Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, as amended from time to time. 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.

The Company has formulated this Policy to ensure transparency, fairness, and regulatory compliance. This Policy lays down the framework, principles, and operational guidelines governing the levy of penal charges on borrowers.

2. APPLICABILITY

This policy applies to all borrowers and all loan products and facilities offered by the Company.

3. OBJECTIVES

The objectives of this Policy are to:

1. Ensure compliance with RBI guidelines on penal charges and Fair Practices Code.
2. Promote credit discipline among borrowers.
3. Ensure penal charges are reasonable, transparent, and non-discriminatory.
4. Prevent misuse of penal charges as a revenue enhancement mechanism.
5. Ensure transparent and fair treatment with all the customers uniformly.

4. KEY PRINCIPLES

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

1. The intent of levying penal 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.
2. 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'. Default in repayment, bounce charges, late payment fees by the borrower is also a type of non-compliance of material terms and conditions of loan repayment contract by the borrower and penalty, if charged, for such default shall only be levied in the form of penal charges and not penal interest.
3. There shall be no capitalization of penal charges i.e., no further interest computed on such charges.
4. No additional component shall be added to the rate of interest.
5. Additional / fresh penal charges cannot be levied on the earlier outstanding amount of penal charges.
6. 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.

5. STRUCTURE OF PENAL CHARGES

Penal charges may be levied for non-compliance with material terms and conditions of the loan contract, as specified in the applicable loan agreement, sanction terms for the respective loan/product category. In case of default or delay in repayment of dues, including where such default arises due to e-NACH/mandate failure or cheque dishonour, penal charges may be levied in accordance with this Policy. Where such failure is attributable to a technical/system-related issue or other circumstances not attributable to the borrower, the penal charge may be waived in accordance with this Policy.

i. A penal charge of up to 2% p.a. on the amount under default may be levied in cases of default in payment of EMI or delay in repayment, for the period of such default.
ii. Penal charges may also be levied for other material non-compliances with the terms and conditions of the loan contract, where such terms have been identified as material for the relevant loan/product category.
iii. Waiver of penal charges may be permitted only in cases of technical default or other exceptional circumstances, subject to specific approval of the Business Head.
iv. At the end of each month, all cases in which penal charges have been waived shall be placed before the Senior Management for review, ratification and record.

6. DISCLOSURE AND TRANSPARENCY

The quantum and reason for penal charges shall be clearly disclosed by the NBFC to the customers upfront in the loan agreement and Most Important Terms & Conditions/ Key Fact Statement as applicable, in addition to being displayed on the NBFC's website under Interest rates and Service Charges.

The Company shall mention the penalties charged for late repayment in bold in the loan agreement.

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

7. GRIEVANCE REDRESSAL

Borrowers may raise concerns regarding penal charges through customer service channels of the Company and if unresolved, may escalate through the grievance redressal mechanism displayed on the Company's website as per the grievance redressal policy.

8. REGULATORY COMPLIANCE AND PRECEDENCE

In the event of any conflict or inconsistency between the provisions of this Policy and the applicable laws, rules, regulations, notifications, circulars or directions issued by the Reserve Bank of India (RBI) or any other competent authority, the provisions of the applicable law or regulatory requirements shall prevail.

9. POLICY REVIEW

This Policy shall be reviewed periodically, and at least once every year, or earlier, if required due to any change in applicable laws, regulations, RBI Directions or the business requirements of the Company. Any amendments to the Policy shall be placed before the appropriate authority for review and approval.

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