

Lendingkart Finance Limited

Interest Rate Model Policy

Revision Summary:

Ver. No.	Revision	Approving Authority	Effective Date
1	Approval of Policy	Board of Directors	03-Apr-2018
2	1. Risk Bucket and Interest Range grid has been defined 2. Policy review period	Board of Directors	30-Jun-2020
3	Review of Policy (No changes proposed)	Board of Directors	12-May-2021
4	Revision in range of offered interest rates	Board of Directors	07-Nov-2022
5	Revision based on the RBI circular "Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023"	Board of Directors	01-Jan-2024
6	Revision based on the RBI observation To consider type of cross sell attachment in calculating interest rate	Board of Directors	01-Oct-2024

Interest Rate Model Policy

This policy is intended to be representative of Lendingkart Finance Limited ('LFL' or 'the Company') guiding philosophy of dealing with customers in a transparent and an open manner. Though interest rates are not regulated by the Reserve Bank of India ('RBI'), rates of interest beyond a certain level that do not commensurate with risks undertaken for a particular transaction, may be seen as exorbitant and can neither be considered as sustainable nor be considered as conforming to normal financial practice.

Thus, in accordance with the RBI Guidelines on Fair Practices Code for NBFCs (under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023), LFL has documented Interest Rate Policy / Model, approved by the Board of Directors, which lays down internal principles and procedures in determining interest rates and other charges on the loan products offered by LFL. The Board, while fixing interest rates chargeable from the borrower shall be guided by this Policy.

In compliance with the said Master Directions, the Interest rate model for the Company is given below:

Methodology of Arriving at Interest rate for Loans and Approach for Gradation of Risk:

1. The Company has its own model for arriving at lending interest rates taking into consideration of weighted average cost of borrowed funds, types of cross-sell products attached, matching tenure cost, market liquidity, cost of customer acquisition, cost of underwriting, interest rate risk, credit and default risk in the related business segment, historical performance of similar homogeneous clients, profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, deviations permitted, future potential, overall customer yield etc. Such information is gathered based on the information provided by the borrower, credit reports, data sources and market intelligence.
2. Cost of un-allocable overheads and other administrative costs and margin is added to arrive at the final lending rate.

3. The weighted average cost of funds is computed considering the cost of the Company aggregate borrowings at the month end from various sources such as term loans, bank lines, NBFC lines, nonconvertible debentures, etc.
4. The rate of interest for the same product and tenure availed during the same period by different customers need not be standardized. It could vary with different customers depending upon consideration of any or combination of the above factors. The same shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
5. The rates of interest and the approach for gradation of risks followed by the company shall also be made available on the website of the company.
6. The interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method.
7. The interest could be charged on weekly, biweekly, monthly or quarterly rests for different products / segments.
8. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest shall be allowed.
9. Besides normal interest, the Company may levy additional / penal charges for non-compliance of material terms and conditions of loan contract by the borrower. These additional or penal charges for different products or facilities would be decided by the respective business / product heads. The penal charges shall not capitalised i.e., no further interest computed on such charges.
10. Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, cheque swap charges, late payment charges, legal charges, pre-payment / foreclosure charges, NOC issuance charges, SOA charges etc., would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, documentation charges, GST and other cess would be collected at an applicable rate from time to time, as communicated in the documentation provided. Any revision in these charges would have a prospective effect and will be communicated to the borrower.
11. While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.
12. Claims for refund or waiver of charges / penal charges / additional interest would normally not be entertained by the Company, and it is at the sole discretion of the Company to deal with such requests. Genuine refund claims are processed by the Company and any additional amount received in addition of due amount is refunded to the borrowers.

Penal Charges:

1. The Company will not collect penalty in the form of Penal interest that is added to the rate of interest charged on the advances. In fact, the company will not introduce any additional component to the rate of interest which is in the nature of penalty.
2. 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.
3. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
4. The applicable penal charges and reason therefor shall be communicated to the borrowers along with the reminders for non-compliance of material terms and conditions of the loan.

Disclosure of Rate of Interest & Penal Charges to the borrower:

1. The loan amount, annualized rate of interest, tenure, amount of equated monthly instalments shall be disclosed at the time of sanction of the loan.
2. The quantum and reason for penal charges shall be disclosed in the loan agreement in bold and terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on the company website under Interest rates and Service Charges.
3. The quantum and levy of penal charges shall be communicated to the borrowers along with the reminders for non-compliance of material terms and conditions of loan are sent to borrowers.

Change in interest rate.

1. All changes in interest rates and charges shall be affected by the company in a prospective manner.
2. The company shall give notice to the borrower in the vernacular language, or a language as understood by the borrower in case of any change in the interest rate is affected in any existing loans.

Risk Bucket and Interest Range:

- The borrowers are categorised into different risk buckets (A to F) based on several factors such as customer's industry sector, geography location, bank statement analysis, business

turnover, overall customer credit score and business profile, etc. Based on the assessed risk category of customer, rate of interest ranging from 13.5% to 42% (effective annualized reducing interest rate) is charged.

Asset Liability Management Committee (ALCO)

- The rates of interest shall be reviewed periodically and any revision in this policy shall be decided by ALCO and shall, subsequently, be presented to the Board of Directors of the Company for its approval.

Review of the Policy

- The Policy will be reviewed at yearly intervals or as and when considered necessary by the Board of the Company.
- Any change or amendment to this Policy shall at all times comply with the Master Direction.
