

# Lendingkart Finance Limited

## Interest Rate and Penal & other charges Policy

## Introduction

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, approved by the Board of Directors, which lays down internal principles and procedures in determining interest rates.

RBI further directed Regulated Entities to formulate a Board approved policy on penal charges. The policy also establishes principles for fixing penal charges on the loan products offered by LFL.

The Board, while fixing interest rates and penal charges chargeable from the borrower shall be guided by this Policy. In compliance with the said Master Directions, the Interest rate and Penal charges for the Company is given below:

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

1. The Company arrives at lending interest rates by taking into consideration weighted average cost of borrowed funds, types of cross-sell products attached, cost of customer acquisition, cost of execution, interest rate risk, credit risk in the related business segment, historical performance of similar homogeneous clients, profile of the borrower (e.g. Industry & business-margins), 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 as mentioned in point 1. 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 floating basis. The repayment-schedule shall be based on the reducing balance method.
7. The interest could be charged on a weekly, biweekly, monthly or quarterly basis for different products / segments. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest shall be allowed.
8. The interest will be charged from the date of actual disbursement of the funds to the customer.
9. In the case of disbursal or repayment of loans during the month, the interest will be charged for the period for which the loan was outstanding.
10. Any instalments collected in advance, will be duly adjusted in the loan amount for the purpose of calculating interest amount.
11. Any excess interest and other charges received from the customer will be refunded back to the customer.
12. The amount collected would be appropriated towards oldest overdue i.e. first Interest and then to Principal. Balance amount would be appropriated to charges, if any, at the end. In the event of a settlement, amount would be appropriated first towards Outstanding Principal and balance amount, if any, would be towards Interest.
13. Besides interest, other financial charges like processing fees, maintenance 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, cash handling charges, RTGS/ other remittance charges, commitment fees, 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. Please refer to the following link for the schedule of charges- [www.lendingkart.com/schedule-of-charges/](http://www.lendingkart.com/schedule-of-charges/)

14. Processing-fee will shall not exceed 4% of the sanction amount .

15. Documentation charges would be applied as follows:

For loans less than Rs. 5 lakhs:	Rs. 3,050+ GST
For loans from Rs. 5 lakhs up to Rs. 10 lakhs:	Rs. 3,750 + GST
For loans above Rs. 10 lakhs:	Rs. 5,700 + GST

### Penal Charges:

1. The Company may levy additional / penal charges for non-compliance of material terms and conditions of loan contract by the borrower. The penal charges shall not be capitalized i.e. no further interest computed on such charges
2. Claims for a 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 in accordance with the terms and conditions outlined in the loan agreement.
3. The Company will not collect penalty in the form of penal interest that is added to the rate of interest charged on the advances. The company will not introduce any additional component to the rate of interest which is in the nature of penalty.
4. Loans remaining unpaid on due dates shall be charged penal charges at such rates as mentioned in bold in the respective customer agreements. Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower. Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements.
5. 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. While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

## Interest Rate and Penal charges Policy

6. Penal charges will be imposed in cases where loans sanctioned to individual borrowers are used for purposes other than the intended end use as specified in the loan agreement. These penal charges shall not exceed those applied to non-individual borrowers for similar non-compliance of material terms and conditions.
7. The applicable penal charges and reason therefore shall be communicated to the borrowers along with the reminders for non-compliance of material terms and conditions of the loan.
8. Below table highlights the penal and other charges. For updated information, please visit [www.lendingkart.com/schedule-of-charges/](http://www.lendingkart.com/schedule-of-charges/)

Type	Unsecured Business Loan Charges	Personal Loan Charges
Foreclosure Charges, if applicable	No foreclosure charges	5% of principal outstanding
NACH registration or activation	INR 30/- per registration	NA
Late payment charges or Penal Charges	INR 300/- (Rupees three hundred only) for each overdue instalment of Loan; and 0.1% (zero points one percent) per day on the overdue instalment of Loan.	INR 300/- (Rupees three hundred only) for each overdue instalment of Loan; and 0.1% (zero points one percent) per day on the overdue instalment of Loan.
Dishonour charges	INR 150/- (Rupees one hundred and fifty only) towards each cheque dishonoured. INR 20/- (Rupees twenty only) towards each dishonour of the ECS/ NACH transaction.	INR 150/- (Rupees one hundred and fifty only) towards each cheque dishonoured. INR 20/- (Rupees twenty only) towards each dishonour of the ECS/ NACH transaction.
Instrument swap charges	INR 500/- (Rupees five hundred only) per swap.	INR 500/- (Rupees five hundred only) per swap.
Change in account mapping	INR 500/- (Rupees five hundred only) per request.	INR 500/- (Rupees five hundred only) per request.
Legal charges	On an actual basis.	On an actual basis.
Duplicate No Dues Certificate	NA	NA
Documentation	0 to 5 lakhs – 3,050 + GST 5 to 10 lakhs – 3,750 + GST 10 lakhs - 5,700 + GST	NA
Broken Period Interest	<i>Scenario 1:</i> If disbursed on 1 <sup>st</sup> , 2 <sup>nd</sup> or 16 <sup>th</sup> onwards then BPI would be capitalized i.e. deducted from disbursement  <i>Scenario 2:</i> If disbursed from 3 <sup>rd</sup> to 15 <sup>th</sup> then BPI is 0. First instalment will have partial-month interest on actual number of days	<i>Scenario 1:</i> If disbursed on 1 <sup>st</sup> , 2 <sup>nd</sup> or 4 <sup>th</sup> onwards then BPI would be capitalized i.e. deducted from disbursement  <i>Scenario 2:</i> If disbursed on 3 <sup>rd</sup> then BPI is 0.

**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.
3. The quantum and levy of penal charges and the reason thereof shall be communicated to the borrowers along with the reminders for non-compliance of material terms and conditions of loan.

**Change in interest rate and charges**

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 rates or charges is affected in any existing loans.

**Risk Bucket and Interest Range:**

- The borrowers are categorized into different risk buckets (A to F) based on several factors such as customer's industry sector, geography location, bank statement analysis, income/ business turnover / margins, loans taken/ loan obligations of the customer, loan to value ratio, overall customer credit score and business profile, etc. Based on the assessed risk category of customer, rate of interest ranging from 13.5% to 35% (effective annualized reducing interest rate for business loan) and 16% to 35% (effective annualized reducing interest rate for personal loan) is charged.

**Asset Liability Management Committee (ALCO)**

- The rates of interest shall be reviewed quarterly 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.
- An abridged version of this policy would be placed on the website of the Company.

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