

# **KANAKADURGA FINANCE LIMITED**

## **INTEREST RATE POLICY**

### **Interest Rate Rationale**

Kanakadurga Finance Limited Policy for Determining Interest Rates, Processing & Other Charges

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies("NBFC") to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. Further, vide circular DNBS (PD)C.C. No. 133 /03.10.001/ 2008-09 January 2, 2009, RBI advised the NBFCs to adopt appropriate interest rate models taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers.

Keeping view of the RBI Guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out by the board of Kanakadurga Finance Limited (the "Company"). This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The Company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

The policy of the Company for determining Interest Rates, Processing and Other Charges is as follows:

### **Interest Rate:**

The interest rate and yield for each of the loan product would be decided by the Asset Liability Management Committee (Empowered Committee) from time to time.

The rate of interest shall be determined based on the cost of borrowed funds, market liquidity, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the cost of fund, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of securities, past repayment track record of the customers, external ratings of the customers, industry trends, etc.

The company may adopt an interest rate model whereby 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 out above. Hence, the interest rate applied would be different from customer to customer and his/her loans.

The annualized rate of interest would be intimated to the customer. The interest rates would be offered on fixed, floating, variable basis. The prime lending rate for the floating rates would be reviewed on quarterly intervals. In case of floating rate of interest, the interest rate would be reviewed and reset on quarterly basis. The interest rate would be computed on daily balances basis and charged on monthly rest or such other rest as the empowered committee decide in accordance with applicable rules and regulations.

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 shall be made available to the customer.

Interest changes would be prospective in effect and intimation of change of interest, if any, or other charges would be communicated to customers.

In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built-in pricing.

In case of staggered disbursements, the rate of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursement or as may be decided by the Company.

The interest rate, benchmark prime lending rate and other charges applicable from time would be hosted on website and updated from time to time.

### **Penal Interest /Late payment charges**

Besides normal interest, the Company may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities would be decided by the Company from time to time.

No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.

### **Processing /documentation and other charges**

All processing / documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

### **Others**

The interest rate models, benchmark prime lending rate (BPLR) and other charges applicable shall be reviewed by the Empowered Committee periodically and suitable recommendations will be made to the Board.

Kanakadurga Finance Ltd offers competitive annualized interest rates across its range of products.

Minimum Interest (Lending) Rate shall be 12% (Twelve percent) and Maximum shall not be more than 36% per annum for all secured and unsecured loans.

\*The interest rate would be computed on daily balances basis and changed on monthly rest at the rate as set out in the loan agreement. The interest rate range is indicative, and the final rate is arrived at basis (a) Profile of Customers (b) Tenure of the Loan (c) Geography of residence (d) Nature of Collateral (If provided) (e) Prior / existing relationship with Kanakadurga Finance. Interest rates are subject to change at any point of time at the sole discretion of KFL