Kiyansh Finance Private Limited (KFPL)

Interest Rate Policy

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KIYANSH FINANCE PRIVATE LIMITED

(“KFPL” or the “Company”)

INTEREST RATE POLICY

This has reference to Reserve Bank of India (RBI) circular DNBS/PD/CC No. 95/03.05.002/2006-07 dated May 24, 2007 (as amended from time to time) and RBI Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 (amended from time to time) in relation to following a transparent interest rate policy.

A. BASIS FOR INTEREST RATE POLICY

KFPL is an impact focused Non-Banking Financial Company (NBFC). Impact is defined as companies working in the sectors of financial inclusion (microfinance, SME/MSME finance, vehicle finance, affordable housing finance, affordable private school finance, and any such company working in the sphere of providing services to the financially excluded), women empowerment, education, healthcare, renewable energy, agriculture and any other such company wherein the business models are either creating livelihood or solving a mass market challenge. Our business model will be to focus on making wholesale loans to SMEs (Small and Medium Enterprises) working in the aforesaid mentioned sectors. Our loan products would broadly be in the form of:

a) Term loans
b) Subordinated loans
c) Subscribing to debt marketable instruments like Non-Convertible Debentures, Commercial Papers etc.
d) High yielding structured obligations like:
    a. Equity/ junior tranches of Securitization transactions
    b. Equity linked debt obligations

Our basis of evaluation will be based on the institutional strength drawn from softer aspects like promoter experience, levels of internal corporate and financial governance and management team strength. Having said that, we will make the following assessments while determining interest rate and other costs to our clients:

1. **Loan Tenor**
   The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal (viz monthly, quarterly, yearly repayment, bullet); moratorium period etc.

2. **Borrowing source, structure and the associated costs**
   The overall cost of funds shall be the weighted average cost of our aggregate borrowings through a mix of international and domestic sources. This will include all costs associated with these borrowings after taking into account the average tenure, refinancing avenues, and interest payment frequency (monthly/ quarterly/ semi-annual/ annual) and structure (fixed or floating) and securities (nature and value) being offered. The pricing factors in the risk associated with these.

3. **Operational/ Running cost**
   The running cost shall include the remuneration to employees, cost of infrastructure, and other administrative costs.

4. **Company and/ or Sector specific risk**
   Given that our focus is geared towards lending to institutions working in the impact areas there is a perceived risk associated with these companies. However, our risk assessment will consider the structure of loans to these companies, the risk profile associated with each sector of the Borrower Company, history, nature and value of security and overall management assessment etc.

5. **Credit risk**
   It would be appropriate that bad debt provision/ write off cost should be considered for all transactions. This cost is then allocated to the best possible extent in the interest rate offered to a borrower. The amount of the bad debt provision applicable to a particular transaction shall be also based on the internal assessment of the credit strength of the borrower.

6. **Margin**
   There is no fixed profit margin but rather something which is a function of returns to shareholdersand the risks involved. The margin, is ensured to be sufficient to attract fresh capital to sustain growth.

7. **Prevailing Market Practices**
   While KFPL shall make each loan basis an independent and detailed assessment, it's pricing, however, will also depend on the market practices.

B. INTEREST RATE POLICY

i. **Interest Rate**

   i. The rate of interest is an extremely flexible component of the business and its highly likely that a loan offered with the same structure and during the same period to two different companies might not be the same. The commercials of the transaction i.e. interest rate and other charges will vary on case-to-case basis and will depend a lot on the factors detailed above.
   ii. The interest rates offered could be on a fixed basis or variable/floating basis with a fixed risk premium over a pre-decided benchmark. Changes in interest rates would be decided at any periodicity, depending on market volatility and competition.
   iii. The interest re-set for floating / variable rate would be decided by KFPL on an annual basis, applying the same decision criteria considered for fixing interest rates. Please note that a critical factor in deciding the interest reset will depend on the movement of the associated benchmark as well.
   iv. Interest would be charged and recovered on a monthly/quarterly/semi-annua/annual basis or as agreed with the Borrower company in the loan repayment schedule.
   v. Interest rates along with the EMI apportionment towards interest and principal dues shall beagreed

with the Borrower company at the time of approval / availing of the loan.

vi. Interest shall be deemed payable immediately on the due date as per the loan repayment schedule, annexed to the loan agreement. Any sanction of grace period for payment of interest is at the sole discretion of KFPL's Credit Committee and the same will be communicated to the Borrower company in writing.

vii. Interest rate changes would be prospective in effect and shall be communicated in writing before any such change takes effect and in accordance with the provisions in the loan documents.

viii. Interest rate, base lending rate, benchmark rates (in case of variable/ floating rate) and other charges and their periodic revisions will be made available to the customers, as required.

ix. The interest rate charged by KFPL could vary in the range of 14%-19%, depending, amongst other things, the factors mentioned above.

ii. Other charges

i. Other financial charges like processing fees, cheque bouncing charges, pre-payment / foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/other remittance charges, commitment fees, stamp duty, charges on various other services like issuing No Due certificates, No Objection Certificates, letters ceding charge on assets / security, security swap & exchange charges, any report(s) sought by credit bureaus etc. would be levied by KFPL wherever considered necessary. Besides the base charges, the goods and services tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect.

ii. Claims or refund of waiver of such charges / additional interest would normally not be entertained by KFPL and it is the sole and absolute discretion of KFPL to dealwith such requests.

Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

The same shall be based on the following rationale:

1. Acquisition costs/underwriting costs incurred in writing the loan
2. Product segment, depth and liquidity of the market and possibility of reinvesting the funds received by way of prepayment into new products, at similar return on assets
3. Use of fixed cost funds/ lines of credit/internal allocation of resources, for funding a particular product segment
4. Exposure limit or ticket size for the loan products

Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements.

However, the company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant (s) as per the Reserve Bank of India's Circular dated August 02, 2019.

iii. Other related issues

i. The practices by other lenders would also be taken into consideration while deciding on interest rates / charges.

ii. In case of disbursements made in tranches, the rate of interest would be subject to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by KFPL.

C. Disclosures

As per the extant regulations the following disclosures shall be made to the borrower:

a. There shall be appropriate disclosure of the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated in the sanction letter.

b. The annualised rate of interest shall be disclosed to the customers.

c. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.

d. The rate of Interest for various class of assets as revised from time to time shall also be displayed on Company's website