LAKSHMITHRA FINANCE PRIVATE LIMITED

INTEREST RATE POLICY

Background:

As per Reserve Bank of India guidelines, Board of each NBFC shall approve an Interest rate model for the Company, taking in to account relevant factors such as cost of funds, margin and risk premium etc., and determine the rate of interest to be charged for loans and advances.

Further, the RBI directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them.

In compliance with the above requirements, Lakshmithra Finance Private Limited has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the approach of risk gradation in this regard, for the lending business.

Roles and Responsibilities
Board:
The Board shall be responsible for the adoption of this Policy. The Board may delegate the implementation of the Policy to the Risk Management Committee (RMC) or any other authority as may deem fit.

Review of Policy

The Policy shall be reviewed once a year or in between if required due to changes required in the model, for example any addition/deletion of a particular component forming part of benchmark calculation.

Financial facilities covered by the Policy

Lakshmithra Finance Private Limited ('Company') extends credit facilities to its customers through 'Fixed rate' loans, through a diverse range of products to cater to the needs of different categories of customers. This Policy shall be applicable to all such financial facilities provided by the Company. Currently Lakshmithra Finance offers loan facility under the following categories

1. Commercial Vehicle Loans
2. Secured Business Loans (secured by property / vehicles)
3. Unsecured Business Loans

Rate of Interest

Interest rate shall mean the **annualized rate** on the credit facilities charged to the borrower by the Company, based on the periodicity of payments, for example: monthly, weekly, daily etc.

The interest rate shall **not include** the following (the exclusion list is indicative in nature and shall not be only limited to the components below):

- Processing costs
- Document charges
- Stamp duty
- External Costs
- Bounce Charges
- Cash Collection Charges
- Field Visit Charges
- Vehicle Inspection Charges
- Penalties, including late penalties
- Foreclosure Charges
- Contingent charges

Interest rate Model

Lakshmithra Finance offers credit facilities to its customers through **Fixed Rate Loans.**

The Pricing at which the loans are offered are arrived based on the following factors.

- Cost of Borrowings
- Fund Rasing Costs
- Cost of Equity
- Negative Carry on Investments
- Opex Cost (including employee cost, operating cost, branch expenses, sales, marketing & collection costs)
- Base ROA (minimum return expected by the Company on its assets)
- Risk Premium (to cover the business related risks)
- Spreads

Spreads

The rate of interest for loans for various credit facilities and customers shall be arrived at after adjusting for spread by the relevant credit facility. The spread shall consist of product-specific factors and customer- specific factors.

<u>Product-specific spread:</u>

Product-specific spread shall be determined based on the Company's historical experience of the product and the expected losses arising out of it. The Company may also consider factoring in the unexpected losses while arriving at the said spread and the macro-economic factors which may impact the product segment.

<u>Customer-specific spread:</u>

The spread shall also be assessed on a case-to-case basis with respect to the customer based on an evaluation of the following factors.

- Profile of the borrower
- Industry Segment
- Repayment track record of the borrower
- Borrower Indebtedness (other existing loans)
- Secured Vs unsecured loan
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- End use of the asset
- Credit and default risk in the related business segment
- Historical performance of similar homogeneous clients
- Any other criteria specific to the transaction

The aforesaid variables may be revised from time to time as per the Company's past performance in a given loan portfolio and at its discretion.

Communication Framework

Interest rates would be intimated to the customers at the time of sanction / availing of the loan long with the tenure and amount of instalment.

Methodology and Approach for Gradation of Risk

- The rate of interest shall be based on the above factors.
- The company charges annualised rate of Interest on reducing balance method and the same has been disclosed in the sanction letter issued to the borrowers
- The decision to sanction a loan and the interest rate applicable to each loan account is assessed on a case-to-case basis, based on multiple parameters such as applicant's profile, repayment capacity, financial commitments, past repayment track records, security for the loan, loan to value ratio, mode of payment, tenor of loan, geographical location of the applicant, end use of the loan. Such information is collected based on applicants' inputs and /or field inspection by the Company officials.

- Besides interest, other financial charges like processing fees, cheque bouncing charges, foreclosure charges, swapping charges, cash collection charges, SOA charges legal, repossession and other related matters would be levied by the company wherever considered necessary. Besides the base charges, GST would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided by CEO & CFO.
- Penal Charges shall be charged for any delay or default in making payments of any dues.

Details of range of Rate of Interest (Fixed IRR) and Processing Fees

Product	Rate of Interest	Processing Fee & Documentation Fee (on Loan Amount)
Commercial Vehicle Loan	Upto 36%	Upto 10%
Secured Business Loan	Upto 36%	Upto 10%
Unsecured Business Loan	Upto 60%	Upto 10%