

INTEREST RATE POLICY

*(Reviewed by the Board of Directors of the Company
at its meeting held on April 18, 2023)*

Introduction

Reserve Bank of India (RBI) had vide its circulars advised that Board of Directors of Non-Banking Finance Companies (NBFC) shall lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. RBI has advised NBFC's to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest. Keeping in view the RBI's guidelines as cited above, and the good governance practices being followed by KLM AXIVA FINVEST LIMITED (the '**Company**'), the following internal guidelines, policies, procedures and interest rate model have been adopted by the Board of Directors of the Company, for its lending business. These need to be taken cognizance of while determining interest rates and other charges, and changes thereto. This policy describes the method of fixing interest rate of gold loans and other loan schemes of Company.

Methodology

The interest rates for the products of the Company are decided by the management. The average yields and the minimum rate of interest for each loan product are decided from time to time, giving due consideration to the following factors:

- The weighted average cost of borrowed funds as well as costs incidental to those borrowings, taking into consideration the average tenure and liquidity.
- Cost of servicing the equity capital.
- Operating cost in the business.
- Inherent credit and default risk in the business, particularly customer segments of the loan portfolio.
- Risk profile of customer: qualification, earning stability and employment, past repayment track record with the Company or other lenders, external ratings of customers, credit reports, customer relationship, future business opportunities etc.
- Nature, security and value of collateral securities.
- Industry trends and competition.
- In addition to this, Interest rate fixation also based on various rules and regulations prescribed by Reserve Bank of India and other competent authority from time to time.

Interest rate policy for lending business

- The Company follows a discrete interest rate policy wherein the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.
- The interest rates offered could be on fixed basis or floating/ variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- Interest would be charged, and recovered on a Biweekly / monthly or annual basis. Specific terms in this regard would be addressed through the relevant product policy.
- Interest rates would be intimated to the customers at the time of sanction/ availing of the loan and the EMI apportionment towards interest and principal dues would be made available to the customer.
- Besides normal interest, the Company may levy penal charges for any delay or default in making payments of any dues. The levy or waiver of these penal charges for different products or facilities would be decided by the Board of Directors.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- Besides interest, other financial charges like processing fees, documentation charges etc. would be levied by the Company wherever considered necessary, which would be decided by the head of the operation department subject to the range as specified in the loan policy. Besides the base charges, the taxes at applicable rates may be collected from time to time. Any revision in these charges would be with prospective effect.
- The practices followed by competitors would also be taken into consideration while deciding on interest rates/ charges.
- Claims for refund or waiver of such charges/ penal charges would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.

The interest will be calculated from the date of disbursement of loan till date of closure that is for the actual number of days loan remains outstanding in the books of account. Where as if the loan closes within a period less than 07 days from the date of disbursement an amount equal to minimum 07 days interest will be charged on such loans. For Interest Calculation purpose a year is taken as 365 days and interest is calculated at monthly / biweekly/ annual compounding basis.

Gradation of risk

The rate of interest is arrived at based on the cost of funds, administrative costs, operating expenses, risk premium, profit margin etc. The decision to give a loan is assessed on a case to case basis, based on multiple parameters such as borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, tenure of the loan, geographical location of the borrower, end use, etc. Such information is collected based on borrower inputs, assessment and analysis by the Company officials.

Processing/ documentation and other charges

In addition to interest, processing fee, closing charges, remittance charges, cheque bouncing charges etc other charges, if any, also applicable for loans will be intimated to customer at the time of sanction. They vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

Payment of Interest on Holidays

If the payment of Interest falls due on sundays or holidays the customer has to pay the interest on the previous working day. Waiver of any charges or interest will not be entertained in this regard.

Amendments to the Policy

In case any amendments/Clarification, the policy shall be amended accordingly from the effective date specified as per management decision. The Company reserve right to alter, modify, add, delete or amend any of the provisions in the policy.