INTEREST RATE MODEL AND POLICIES, PROCEDURES FOR DETERMINING INTEREST RATES AND OTHER CHARGES

I. PREFACE

Ess Kay Fincorp Limited ("**Ess Kay**" or "**Company**") Systematically Important Non Deposit Non-Banking Finance Company ("**NBFC-ND-SI**") incorporated under Companies Act, 1956 and duly registered with the Reserve Bank of India.

This interest rate policy is adapted by Ess Kay in light of the directions of Reserve Bank of India ("**RBI**") issued *vide* its Notification No. DNBS. 204/ CGM(ASR) - 2009 dated January 02, 2009.

Ess Kay ensures fair practice and transparency to its customers and accordingly this interest rate policy is also published on Company's website.

II. APPROACH FOR GRADATION OF RISKS

Each client represents a different risk profile based on the credit and default risk, CIBIL scores, repayment track record of the borrower with lenders etc. A cost premium/discount is attached to overall interest rate on the loan for the client based upon the gradation of risks.

III. INTEREST RATE POLICY & MODEL

(i) Methodology

Asset-Liability Committee of the Board of Directors ("**Committee**") decides interest rates for each of our products. The average yields and the minimum rate of interest under each product from time to time is decided, 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, market liquidity and refinancing avenues.
- Cost of servicing the equity capital.
- Operating cost in our business.
- Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio.
- Subventions and subsidies available, if any.
- Risk profile of customer – professional qualification, stability in earnings and employment, past repayment track record with us or other

lenders, external ratings of customers, credit reports, customer relationship, future business opportunities etc.

- Nature and value of collateral securities.
- Industry trends – offerings by competition.

(ii) Interest Rate Policy

- The Company shall adopt a discrete interest rate policy which means that 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 variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- The interest re-set period for variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- Interest would be charged and recovered on a monthly, quarterly or half yearly basis. Specific terms in this regard would be addressed through the relevant product policy and/or relevant product agreement.
- 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.
- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- Besides normal interest, the Company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues. The levy or waiver of these additional or penal interests for different products or facilities would be decided within the boundaries prescribed by the product policy.
- 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.

- The practices followed by competitors would also be taken into consideration while deciding on interest rates /charges.

- Interest rate models, reference lending rate and other charges and their periodic revisions will be made available for the general public as required.

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

- Claims for refund or waiver of such charges/penal interest/additional interest would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.

IV. PROCESSING /DOCUMENTATION AND OTHER CHARGES

(i) 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.

(ii) In addition to the above, 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, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. Besides the base charges, the goods and service tax and other cess 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 upon collectively by the management of the Company.