



## **PREAMBLE**

RBI has issued Master Directions vide circular number DNBR.PD.007/ 03.10.119/2016-17 dated 01.09.2016 as amended up to 02.02.2017 to all NBFCs. In terms of the above guidelines the Board of each NBFC shall adopt an interest rate model taking into account the relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loan and advances and communicate to the borrowers in vernacular as understood by the borrower by means of sanction letter or otherwise the terms and conditions of sanction including annualised rate of interest and method of application thereof. Accordingly, We at NKC Finance Private Limited (the "Company") has put in place this interest rate policy ("Interest Rate Policy") to be followed by the Company in determining interest rates and processing and other charges in relation to its lending business. This Interest Rate Policy is intended to be representative of the Company's guiding philosophy in relation to dealing with customers in a transparent and open manner.

## **ESTABLISHING AN INTEREST RATE**

The rate of interest to be charged for loans and advances will be in the range of 12% to 25% p.a.

The rate of interest shall be arrived at after taking in to account relevant factors, such as cost of funds, margin and risk premium, including the following:

**Tenor of the Loan:** The rate of interest charged will depend on the term of the loan ; **Internal and External Costs of Funds-**The rate of interest charged will also be determined depending on the rate at which funds necessary to provide loan facilities to customers are sourced by the Company, normally referred to as internal cost of funds. **Internal Cost Loading-**The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a particular transaction will also be take in to account before arriving at the final rate of interest quoted to a customer.

**Credit Risk-** As a matter of prudence, bad debt provision cost will also be factored into all transactions. This cost is then reflected in the final rate of customer. The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer.

The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, 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, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customer, CIBIL score of the customers, industry trends, etc.

**Periodicity of Interest-** Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications there to as may be agreed by and between the Company and the customer , in writing.

Proposed rate of interest, for each Borrower, calculated keeping the above factors in mind shall be mentioned in the Appraisal Memorandum submitted to the Sanctioning Authority. The Sanctioning Authority shall approve the type of loan, final rate of interest and other terms and conditions.

## **GENERAL**

The following provisions shall apply to loans extended by the Company:

**Changes in Terms-**The Company shall give notice to the borrower in English language with an option to choose a vernacular language as understood by the borrower of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. Further, any changes in the rate of interest shall be effected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Company.

**No Grace Period-**Interest will be payable by the customer / borrower on or before the due date stipulated there for in the loan agreement entered into by the customer / borrower with the Company. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same or the Credit Committee agrees to provide such grace period to the customer / borrower, in writing.

**Moratorium-**The Company may consider necessary moratorium for payment of interest and repayment of principal amount with proper built-in pricing, on a case to case basis.

**Additional Interest and other Charges-**Besides the normal interest, the Company may levy additional interest in the form of penal interest for any delay or default in payment of dues by the customer / borrower or additional interest on other facilities etc.

## **Processing Fees/Other charges:**

The Company may levy processing fees /other charges on its Borrowers for loans sanctioned. Generally, this will be in the range of 0.50% to 3% of the sanctioned loan amount. Quantum of processing fees/other charges would depend upon the type of collateral, geographical location of the collateral,

nature and volume of documentation involved, services required from external agencies during appraisal process etc.

In cases where the company decides to levy processing fees/other charges, the same should be agreed and accepted by the Borrower whether in the sanction letter or any loan document. Processing fee may also be charged at the time of renewal of the facility on a case to case basis.

Processing fees/other charges may be reduced or waived by the Sanctioning Authority in certain cases based on justification provided by the Borrower.

The Company may also levy other financial charges including processing fees, cheque bouncing charges, pre-payment / fore closure charges, RTGS or such other remittance charges, charges for services like issuance of "No Due Certificate", security swap charges etc. The quantum of these additional rates of interest / financial charges will also be determined by the Board of Directors of the Company and communicated to the customer in writing. While determining the quantum of these additional rates of interest / financial charges, market practices will be taken in to consideration.

**Communication of Interest Rate to the Customer-** The Company shall convey in writing to the borrower in English language with an option to choose a vernacular language as understood by the borrower, by means of an action letter or otherwise, the amount of loans sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower. The loan agreement shall expressly stipulate the penal interest chargeable for late payment / repayment of dues by the borrower. The apportionment of the equated monthly installments ("EMI") amount towards the principal and interest will also be communicated by the Company to the customer / borrower by way of their payment schedule.

**Waiver of Additional Interest / Financial Charges -**Requests by the customer for waiver of additional interest / financial charges would normally not be entertained by the Company and such waiver will be at sole and absolute discretion of ED / MD, exercised on a case to case basis or any other person that the Senior Management deems fit.

**Pre-Payment-** Pre-payment options available to the customer and the penalty payable for exercise of such option shall be mutually agreed to on a case to case basis and communicated to the customer.

#### **AMENDMENTS TO THE INTEREST RATE POLICY**

Amendments to this Interest Rate Policy will not be effective, unless some amendments have been approved and authorised by the Board of Directors of the Company (or any committee of the Board of Directors of the Company duly authorised in this behalf).

The Company shall abide by this Interest Rate Policy following the spirit of the Interest Rate Policy and in the manner it may be applicable to its business.

#### **DISCLOSURE**

This Interest Rate Policy, including the rate of interest and approach for gradation of risk, shall be made available on the Company's website, or in the alternate, published in the relevant newspapers. Such information published on the Company's website or otherwise published shall be updated whenever there is a change in the rates of interest.