

Interest Rate Policy

Policy for Determining Interest Rates, Processing and Other Charges

Overview:

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013 have directed all NBFCs to make available the rates of interest and the approach for gradation of risks on the website of the NBFCs.

Accordingly, Recapita Finance Private Limited ("RFPL") is publishing its Policy towards Interest Rates, Processing and Other Charges in order to ensure transparency and to conform to the stipulations of RBI's directives. These will remain in force till further Notice.

- Recapita follows the following Principles while determining the interest to be charged on Loans approved:
- Interest rates are calculated taking into consideration RFPL's weighted average cost of funds, credit costs, overheads and other administrative costs.
- The weighted average cost of funds depends on the different types of funding sources tapped by RFPL to fund its business. Viz. Equity, Debentures, bank loans, or any other types of permissible borrowings to an Non Banking Finance Company.
- The interest rate for loan to any business segment or under any product would incorporate RFPL's cost of funds, cost on account of risk and tenor for the concerned business segment / product / product specific operating cost and margin. Accordingly the interest rate for loans for different business segments and products within that business segment differ due to the nature of the segment or product.

Following few consideration RFPL consider while deciding the interest rate are:

- ✓ Business risk, industry risk, market position, market reputation, vintage of the business, competition
 - ✓ Credit and default risk in the related business segment / product e.g. interest rate may be higher for borrowers with lower credit scores / ratings
 - ✓ Nature and value of primary collateral and additional security
 - ✓ Size and nature of the business, geographic location of the borrower and its financial flexibility.
 - ✓ Tenure of the loan e.g. interest rate may be higher for longer tenure loans
 - ✓ Interest rate trend prevailing in the money market
 - ✓ Profile and incorporation of the borrower, strength and experience of group
 - ✓ Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources
 - ✓ Existing and as the case may be, future financial position of the borrower, sustainability of cash flow of the borrower
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- The rate of interest for the same product and duration need not be standardized. It could vary for different customers depending any one or a combination of the above factors. As each transaction we enter into is individually assessed, we do not publish interest rates.
 - Interest rates could be fixed or floating. Floating rate loans are benchmarked as disclosed in Loan documentation. Interest rates could be reset as decided by RFPL from time to time or as per the agreed Terms and Conditions with borrower.
 - Applicable interest rates would be communicated to the borrower through detailed sanction letters. The sanction letters shall clearly state the terms and conditions of the loan and also the annualized interest rate applicable on the loan. The borrower shall also be provided with a copy of the repayment schedule that shows the breakup of principal and interest that are payable by the borrower.

- Interest shall be payable monthly or quarterly, in advance or in arrears, depending on the business segment and the product.
- All amounts, including interest and principal shall be payable immediately on the due date as provided in the repayment schedule and no grace period for any payments is allowed.
- As a deterrent against willful delinquency, and to encourage adherence to the terms and conditions of the loan agreement, RFPL may charge an additional / penal interest rate depending on the business segment / product and benchmarked against market / competitive conditions.
- Any changes in the applicable interest rate would be communicated to the borrower in a manner as detailed in the loan agreements or in an adequately suitable mode and manner.
- Moreover, RFPL may also charge other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, reschedulement charges, prepayment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc. wherever considered necessary.
- All processing / other charges would vary depending on the business segment / product, assets being financed, expenses incurred in the geographical location / customer segment and generally represent the cost incurred in rendering service to the customer.
- A prepayment / foreclosure charge will be charged based on the costs incurred by RFPL, including but not limited to break costs, customer acquisition costs and business segment / product.
- For individual borrowers, the prepayment charges for floating rate loans will be NIL.
- RFPL shall also collect any applicable stamp duties, service taxes and other cesses that may be applicable at the time of sanction / disbursal. Any revision in these charges would be from prospective effect.
- RFPL would also benchmark itself against prevailing practice followed by its competitors in the market to determine the applicable rate of interest for any business segment / product.

- RFPL reserves the sole right to decide on any refund or waiver of charges / penal interest / additional interest.
- Any revision in the Policy for Determining Interest Rates, Processing and Other Charges would be reviewed and approved by Board of Directors of RFPL.
- The above Interest Rate and other Charges policy will also be applicable for any new product offering by RFPL.