

Interest Rate Model Policy

The Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133/03.10.001/ 2008-09 January 2, 2009 and the guidelines issued via NBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013. Keeping in view the RBI's guidelines as cited above, and the good governance practices, Visage Holdings and Finance Private Ltd. hereinafter referred to as "Kinara" has adopted the following internal guidelines, policies, procedures and interest rate model for its lending business. This policy is representative of our philosophy in determining interest rates and communicating with customers in an open and transparent manner.

Methodology of Interest Rate Calculation

The interest rates for each of our products are decided by the Credit Committee (CC). The average yields and the rate of interest under each product is decided from time to time, giving due consideration to the following factors:

- The weighted average cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc.;
- Operating cost in our business and maintaining the stakeholders expectations for a reasonable, market-competitive rate of return;
- Industry trends - offerings by competition and margin expectations in the industry;
- Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio;
- Nature of lending, for example unsecured/secured, and the associated tenure;
- Nature and value of securities and collateral offered by customers;
- Risk profile of customer - professional qualification, stability in earnings, financial track record, past repayment track record with us or other lenders, credit reports, customer relationship, future business potential etc.;
- Whether the customer is a new or an existing one

Our Approach to Interest Rate

Kinara has adopted 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 will 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 will be decided at any periodicity, depending upon market volatility and competitor review.
- Besides normal interest, Kinara may levy additional interest for adhoc facilities, cheque bouncing charges, 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 will be decided within the limits prescribed under the policy.
- The interest re-set period for floating/variable rate lending will be decided by the Kinara from time to time, applying the same decision criteria as considered for fixing of interest rates.
- Interest will be charged on a daily rest basis and recovered on a monthly basis. Specific terms in this regard will be addressed through the relevant product policy.

- Interest rates will be intimated to the customers at the time of sanction/availing of the loan and the EMI apportionments towards interest and principal dues will 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.
- Interest changes will be prospective in effect and intimation of change of interest or other charges will be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- Besides interest, other financial charges like processing fees, cheque bouncing charges, penal interest charges, pre-payment/foreclosure charges, part disbursement charges, 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, insurance etc. will be levied by Kinara wherever considered necessary. Besides the base charges, the service tax and other cess will be collected at applicable rates from time to time. Any revision in these charges will be with prospective effect. These charges will be decided upon collectively by the management of Kinara.
- Prior to entering into an agreement with our customers, Kinara will provide them with our statement of charges and interest and address their queries and questions on this to their satisfaction. Our officers ensure charges and rates of interest are explained clearly and transparently to customers who may be interested in our products.
- In case of staggered disbursements, the rates of interest will 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 Kinara.
- Claims for refund or waiver of such charges/penal interest/additional interest will normally not be entertained by Kinara and it is the sole and absolute discretion of the company to deal with such requests.

Risk Based Interest Rate Pricing

The customers are categorized into a gradation of risk categories based on various data points collected during the loan process such as customer history, business history, credit history, sector, sub-sector business is operating in, business revenues, banking history, past loan history with Kinara, etc. Based on data collection, verification and calculations, our data science model determines the risk of each loan and categorizes this risk into different risk bands. A risk adjusted premium is applied to the base rate of a particular loan product to derive the final interest rate for a given loan. Interest Rates can range from 20% to 32% per annum on a reducing balance basis for a loan. Identical products may attract different interest rates for different customers. Interest rates may vary depending upon a combination of factors including but not limited to credit and default risk, historical performance of similar clients, profile, repayment track record and credit history of the applicant, nature of the business, value of collateral security, tenor, etc.

Review of the Policy

The rates of interest shall be reviewed periodically and any revision in this policy shall be decided by Asset Liability Management Committee. The policy will be reviewed yearly or as required by the Board of Directors of the Company.