

POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND OTHER CHARGES

INTRODUCTION AND OBJECTIVES:

As per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by the Reserve Bank of India ("RBI") read with the RBI Circular dated August 18, 2023 on Fair Lending Practice - Penal Charges in Loan Accounts, all NBFCs are required to have a Board approved interest rate model and a policy on penal charges.

Accordingly, Finova Capital Private Limited ("FCPL") is publishing this Policy for Determining Interest Rates, Processing and Other Charges in order to ensure transparency to conform to the stipulations of RBI's directives, and shall be applicable till further notice.

INTEREST RATE MODEL

This policy details the principles for determining interest for loans provided by FCPL as follows:

1. Lending rates are calculated taking into consideration FCPL's weighted average cost of funds, credit costs, overheads and other administrative costs.
2. The weighted average cost of funds depends on the different types of funding sources tapped by FCPL to fund its business. These are an amalgamation of equity, bank loans, debentures, commercial papers and other money market instruments.
3. 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.
4. The interest rate for any business segment or product would incorporate FCPL's cost of funds, cost on account of risk and tenor for the concerned business segment / product, business / product specific operating cost and margin.
5. Some of the key factors / gradations of risk that impact interest rate are:
 - i. Business risk, industry risk, market position, market reputation, vintage of the business, competition
 - ii. Size and nature of the business, geographic location of the borrower
 - iii. Historical performance of similar homogenous pools of borrowers
 - iv. Profile and incorporation of the borrower, strength and experience of group
 - v. Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources.

- vi. Credit and default risk in the related business segment / product e.g. interest rate may be higher for borrowers with lower credit scores / ratings
 - vii. Nature and value of primary collateral and additional security
 - viii. Existing and as the case may be, future financial position of the borrower, sustainability of cash flow of the borrower
 - ix. Financial flexibility of the borrower
 - x. Tenure of the loan e.g. interest rate may be higher for longer tenure loans
 - xi. Interest rate trend prevailing in the money market
6. 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.
 7. Interest rates could be fixed or floating. Floating rate loans are benchmarked either to the commercial paper benchmark (FIMMDA - Thomson Reuters 3month Commercial Paper Benchmark <0#INFIMCPBMK>) or SBI Base Rate or to such benchmark as FCPL may deem fit.
 8. Interest rates could be reset as decided by FCPL from time to time.
 9. 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.
 10. Interest shall be payable monthly or quarterly, in advance or in arrears, depending on the business segment and the product.
 11. 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.
 12. As a deterrent against willful delinquency and to encourage adherence to the terms and conditions of the loan agreement, FCPL may charge an additional / penal charges depending on the business segment / product and benchmarked against market / competitive conditions.
 13. FCPL 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.

14. As each transaction we enter into is individually assessed, we do not publish interest rates.
15. 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.

FEES & CHARGES

FCPL 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.

1. 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.
2. A prepayment / foreclosure charge will be charged based on the costs incurred by FCPL, including but not limited to break costs, customer acquisition costs and business segment / product.
3. For individual borrowers, the prepayment charges for floating rate loans will be NIL.
4. FCPL 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.
5. FCPL shall provide to the customers information about the penalties which shall be levied on him/her in case of non-observance / violation of any of the terms and conditions governing the product / services chosen by them.
6. The penal charges in case of loans sanctioned to individual borrowers, for purposes other than business, shall not be higher than the penal charges applicable to non-individual borrowers for similar breach of material terms & conditions. The Penal Charges shall also be disclosed by the Company in the loan agreement, most important terms & conditions in addition to being displayed on the Company's website. Details of penal charges shall be the part of communication made regarding non-compliance of material terms and conditions of loan to the Borrowers. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
7. The FCPL shall not capitalise penal charges i.e. no further interest will be computed on such charges.

8. Further, the FCPL will not introduce any additional component to the rate of interest.

FCPL reserves the sole right to decide on any refund or waiver of charges.

Any revision in the Policy for Determining Interest Rates, Processing and Other Charges would be reviewed by the Finance Team and recommended to the Board for approval.