



Interest Rate Policy

Preamble:

This Policy lays down the guidelines to the operational personnel and other decision makers of Credit Wise Capital private Limited (hereinafter referred to as “**Credit Wise Capital**”) while determining the rate of interest and other fees to be charged from a customer.

This document is intended to present the policy of the company for dealing with customers/borrowers, in respect of determining the pricing for loans given by Credit Wise Capital, in a transparent and open manner. The approach is to evolve a standard for pricing of loans with a view to ensuring that pricing is fair and transparent.

Though interest rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to usual financial practice. This Interest Rate Policy is in compliance with the requirement of RBI to have a documented policy for interest rates being charged on loans disbursed by the company and ensures coverage under the Fair Practices Code circular issued by RBI.

Given that the business model of Credit Wise Capital focuses on providing credit only to customers meeting the credit standards of Credit Wise Capital for varying tenors, the interest rate applicable to each loan account, is assessed on a case-to-case basis, based on the evaluation of various factors, as detailed hereafter.

1. Objective of the policy

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

2. Review of Policy

The Policy shall be reviewed once a year or in between if required due to changes required in the model, for example any addition/deletion of a particular component forming part of benchmark calculation.

3. Organisation Structure

The Board of Directors shall have oversight for the Investment Policy of . In order to ensure effective implementation of the Interest Rate Policy, the Board may delegate certain operational aspects to its committee, as deemed fit.

4. Interest rate Model

Credit Wise Capital lends money to its customers through Floating rate loan. Credit Wise Capital being a diversified NBFC lends money through various products to cater to needs of different category of customers.

The above-mentioned rate of interests is calculated based on following factors.

- ❖ **Weighted Average cost of borrowing:** The Company borrows funds through term loans, Non-Convertible Debentures and Commercial paper and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for interest calculation.
- ❖ **Cost of Equity-** Credit Wise Capital needs to put some equity portion to run the business and the cost of such equity is taken at G-sec + 2% as suggested by RBI.
- ❖ **Fund raising cost:** It includes processing fees on term loans, brokerage to source funds through NCD, Rating Fee, trusteeship fee, exchange listing fee etc.

- ❖ **ALM mismatch cost:** The Company borrows funds through short term and long-term products and to comply with the guidelines it needs manage ALM gaps under certain limits imposed by regulator. While taking prepayment in to account the customer.
- ❖ **Operational Cost:** It includes employee expenses, branch related fixed and variable costs, operations cost, sales and marketing expenses
- ❖ **Risk Premium:** Base risk premium to cover business related risks.
- ❖ **Expected ROA:** Base Return on assets is the minimum return expected by the company on its assets employed.

5. Principles for charging interest to calculate final rate

The rate of interest for loans for various customer & various schemes thereunder is arrived after factors taken into account for calculating spreads are as follows:

- Credit and default risk
- Rate charged by competitors
- Historical performance of the clients
- Profile of the borrower
- Repayment track record of the borrower
- Nature and value of collateral security
- Secured Vs unsecured
- Ticket size
- Bureau Score
- Tenure of Loan
- Location delinquency
- Customer Indebtness

The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for



different customers depending upon consideration of any or combination of above factors.

6. Other Charges

Besides interest, other financial charges like processing fees, origination/commission fees, cheque bouncing charges, late payment charges, reschedulement charges, pre-payment / foreclosure charges, charges for issue of statement account etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, GST and other cess would be collected at applicable rates from time to time. These charges would be decided upon by respective business / product heads in consultation with Operations, Finance and Legal Heads.

7. Communication Framework

- Credit Wise Capital shall communicate to its customers (borrowers), via a sanction letter, the following details.
- The amount of loan sanctioned along with the terms and conditions including annualised rate of interest applicable to the loan,
- Details of the default interest / penal interest rates up to (indicative...%) per month and other fees and charges payable by the customers in relation to their loan account and method of application thereof and
- Terms and conditions and other caveats governing the loan to be given by Credit Wise Capital, arrived at after negotiation.
- Changes in the rates and charges for existing customers would also be communicated to them through either of mail, letter, SMS.

8. Website

The Interest Rate Policy shall be made available on the Company's website.