KLAY FINVEST PRIVATE LIMITED

INTEREST RATE POLICY

CONTROLLED COPY

Registered Office: 1402, B Wing, ONE BKC, G Block, Bandra Kurla Complex, Mumbai - 400 051| Tel: +91 022 6910 6000
www.klaycapital.com
CIN: U74140MH2016FTC288032 | RBI Reg. No. as NBFC: N-13.02240

SUMMARY OF POLICY

Policy Name	Interest Rate Policy
Policy Type	B - Board B - Board M - Management
Related policies and regulations	Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (updated as on February 17, 2020)
Effective date	October 01, 2021
Owner / Contact	Klay Finvest Private Limited
Approver	Board of Directors

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1. PREAMBLE

1.1. This policy is intended to be representative of Klay Finvest Private Limited's ('the Company') guiding philosophy of dealing with customers in a transparent and open manner. Though interest rates are not regulated by the Reserve Bank of India ('RBI'), rates of interest beyond a certain level and not commensurate to the risks undertaken for the particular transaction may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Thus, in accordance with the RBI Guidelines on Fair Practices Code for NBFCs, the Company has documented Interest Rate Policy approved by the Board of Directors which lays down internal principles and procedures in determining interest rates and other charges on the loan products offered by the Company.

1.2. Reserve Bank of India vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 has directed that the Board of each NBFC shall approve an Interest rate model for the Company. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers in the sanction letters issued to them. The Interest rate model is also required to be made available on the website of the Company so as to enable the customers to understand the logic and methodology of the lending rates charged to them.

1.3. The business model of the Company includes lending to resident Indians for the purpose for investment activities. Internal Rate of Return ('IRR') shall depend upon the type of lending and shall generally be in the band of 7% to 18% per annum based on the evaluation of various risks detailed hereunder:

2. ESTABLISHING AN INTEREST RATE

The interest rate applicable to a particular loan will be determined by reference to a number of factors, including:

2.1. Tenor of the Loan:

The interest rate charge will depend on the term of the loan. Generally, the short-term loan up to the tenor of 1 year will have lower interest rate charge as compared to the long-term loan.

2.2. Internal and External Costs of Funds:

a. Klay Finvest Private Limited formulates its Floating Benchmark Rate (Klay FBR) by taking into consideration KFPL's weighted average cost of funds (computation based on the cost of aggregate borrowings from various funding sources such as banking limits, NCD's, commercial paper, etc.), overheads, admin expenses, liquidity and interest rate environment, provisioning, and return on equity as required by the equity investors. Klay FBR shall be determined and

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reviewed by the Risk & Asset Liability Management Committee from time to time and advised to the clients on any change in the rates.

b. KFPL at its sole discretion can offer the loans at fixed or floating (linked to Klay FBR) rate of interest. The rate of interest for loans for different business segments will be based on the FBR, cost on account of risk, quantum of loan, loan tenor, business specific operating cost and margin etc.

c. The rate of interest charged is also determined by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as internal cost of funds. All loans or credit facilities should, at minimum, provide an IRR or a life to maturity yield in the band of 10% to 26% per annum.

d. From an external cost of funds perspective, the benchmark interest rate that may be used by the Company could be either the Base Rate of State Bank of India or the 10-year Government of India sovereign bond as adjusted for the rating spreads available in the markets.

2.3. 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 should be taken into account before arriving at the final interest rate quoted to a customer.

2.4. Credit Risk:

As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a particular transaction depends on the credit strength of the customer.

2.5. Fixed versus floating:

The applicable interest rate shall also be commensurate from the perspective of the fixed versus floating interest rate requirements of the customers and shall have to be decided in view of the benchmarks deliberated in point b above.

2.6. Arriving at the final lending rate:

The final lending rate for various products offered by KFPL will be determined by the sanctioning authority based on inherent credit and default risk in the product and customer based on market reputation, interest, credit and default risk in related business segments, historical performance of similar clients, profile of the borrower, nature and value of primary and collateral securities, past repayment track record of customers, external rating of the customers, industry trends, tenor of customer relationship, offerings by competition, deviations permitted, future potential, overall

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customer yield, etc. The rate of interest for the same product and tenor availed during the same period would be different for each customer depending on one or more factors as mentioned above.

2.7. Interest reset period:

a. The interest reset period would be decided by the company from time to time. Interest could be charged on monthly or quarterly rests for different products/segments. Interest rates will be communicated to Borrowers at the time of sanction of the loan.

b. The company may levy additional/ penal interest for delay or default in making payments of any dues or any other default under the loan agreements. The additional/ penal interest for different products or facilities would be determined by the respective business/ product departments and communicated to the customers at the time of sanction of the loan and incorporated in the loan agreements.

3. PROCESSING FEES

Upfront/ Processing fees shall be determined by the sanctioning authority on the basis of the time and work involved in appraisal and due diligence, other expenses and finalized during negotiations with client as a matter of commercial decision. The Credit Committee may from time to time review the guidelines for charging processing fee. Likewise, other financial charges like cheque bouncing charges, late payment fees, prepayment charges, part disbursement charges etc., would be levied by KFPL whenever and wherever considered necessary. The sanctioning authority shall have power to reduce or waive the various fees and charges on a case by case basis.

4. PROCEDURAL ASPECTS

The Company shall communicate to its customer;

a. the amount of loan sanctioned along with the terms and conditions including annualized rate of interest, details of the default interest / additional interest rates 2% to 6% per month (or any other rate mutually agreed) and the charges payable by the customers in relation to their loan account and method of application thereof (penal interest chargeable for late repayment of loan would be mentioned in bold in the loan agreement)

b. The Company will not charge foreclosure charges on floating rate of term loans if sanctioned to Individual customer

c. Terms and conditions and other caveats governing the credit given by the Company arrived at after negotiation

d. In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualized rate of interest), the

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same shall be conveyed to the customer either as an addendum / additional annexure to the agreement/term sheet.

e. Changes in the interest rates and charges shall be affected prospectively. A suitable condition in this regard shall be incorporated in the loan agreement, as applicable.

f. All the relevant formalities (e.g. further legal documentation, approval of customer, certification of KFPL officials etc.) relating to such change shall be documented and a copy of the same shall also be sent to the customer. The same may be communicated through electronic media or any other form of communication by the employees of KFPL.

g. The acknowledgement of the receipt of the said additional document shall also be preserved on the records by the Company.

h. All the above information shall be in writing / electronic media or any other form of communication by the employees of the Company and shall be duly approved by the customer and certified by the authorized official of the Company and would be documented in a chronological manner for future reference.

i. The Company shall communicate to the borrower in the vernacular language or a language as understood by the borrower.

j. The interest rates shall be displayed on the company website, if any, as per the NBFC Directions issued by the RBI.

5. AUTHORITY APPROVING POLICY

a. The primary responsibility to implement / operate the Policy shall be with the Credit Committee) and the board shall have the overall responsibility in light of the. Credit & Risk Policy.

b. The Credit Committee / the board shall undertake a regular review of this policy in view of any regulatory changes from time to time.

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