CAPRI GLOBAL HOUSING FINANCE LIMITED

INTEREST RATE MODEL AND POLICIES & PROCEDURES FOR DETERMINING INTEREST RATES AND OTHER CHARGES

Version 1.3

I. Background :

Reserve Bank of India (RBI) had vide its Circular Master Direction BR.PD.008/03.10.119/2016-17

Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 , Advised The Board of each applicable NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

RBI further advised NBFC's to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

II. Methodology

The interest rates for each of our products are decided by the Asset- Liability Committee (ALCO) of the Board. The average yields and the minimum rate of interest under each product is decided from time to time, giving due consideration to the following factors.

- The weighted average cost of borrowed funds as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues.
- Cost of servicing the equity capital.
- Operating cost in our business.
- Inherent credit and default risk in our business, particularly trends with sub-groups/ customer segments of the loan portfolio.
- Subventions and subsidies available, if any.
- Risk profile of customer - professional qualification, stability in earnings and employment, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business opportunities etc.
- Nature and value of collateral securities.
- Industry trends - offerings by competition.

III . Interest Rate Policy for lending business

- Discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would 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 would be decided at any periodicity, depending upon market volatility and competitor review.

- The interest re-set period for floating / variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates.

- Interest would be charged and recovered on a monthly or quarterly basis. Specific terms in this regard would be addressed through the relevant product policy.
- Interest rates would be intimated to the customers at the time of sanction/ availing of the loan and the EMI apportionment towards interest and principal dues would 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.
- Besides normal interest, the company may levy additional interest for adhoc facilities, penal charges for any delay or default in making payments of any dues. The levy or waiver of these additional or penal charges for different products or facilities would be decided within the boundaries prescribed by the product policy.
- Interest changes would be prospective in effect and intimation of change of interest or other charges w o u l d 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, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, 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, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided upon collectively by the management of the Company.

- The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.

- Interest rate models, reference lending rate and other charges and their periodic revisions will be made available for the general public as required.

- In case of staggered disbursements, the rates of interest would 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 the company.

- Claims for refund or waiver of such charges/ penal charges/additional interest would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

- Clear communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

- In case of reset of interest rates, we shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch 2 times during the tenor of the loan.

- The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to pre pay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions.

- All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the REs from time to time.

- Ensure Elongation of tenor in case of floating rate loan does not result in negative Amortization.

- A statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMI's left and realized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan will make accessible to the borrowers, through appropriate channels, Ensure Statements are simple and easily understood by the borrower.

IV Risk Rate

Risk rate (estimate of credit losses) shall be determined by taking into account the degree of risk involved in loan considering various factors like general economic conditions, customer category, customer category servicing costs, Customer Riskiness, financial soundness, mode of repayment, Loan to value ratio, Tenor of loan, Product. location of the customer, etc. The rate shall be the lowest for customers perceived as having lowest risk and vice-versa for the high-riskcategory.

V Additional/Default Rate

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'Penal charges' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account

Loans remaining unpaid on due dates shall be charged penal charges at such rates uniform across all product portfolio as mentioned in the respective customer agreements.
Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

However, incase the Company intends to charge penal charges at different rate for different product portfolio, the same shall be based on the following rationale:

1. Acquisition costs/underwriting costs incurred in writing the loan
2. Product segment, depth and liquidity of the market and possibility of reinvesting the funds received by way of prepayment into new products, at similar return on assets
3. Use of fixed cost funds/ lines of credit/internal allocation of resources, for funding a particular product segment
4. Exposure limit or ticket size for the loan products
5. Industry Trends of rate shopping by customers, on the basis of a prevailing contract with PFL, and going to a competing financier, with a view to obtain lower rates.

Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements.

VI Processing /documentation and other charges

All processing / documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

Interest will be charged from date of loan disbursement. Disbursement date is the date on which loan amount is credited in customer's bank account.
(As per RBI circular "Fair Practices code of lenders -Charging of Interes"29th April 2024)