

**POLICY FOR DETERMINING RATE OF  
INTEREST, PROCESSING / OTHER  
CHARGES**

**AEFPL**

**Arthashastra Fintech Private Limited**

*Strictly Private & Confidential – Version 1, June 2022*

## **PREAMBLE:**

In order to ensure its standards of transparency, in conformity with the stipulations of the Reserve Bank of India's (hereafter referred to as 'RBI') directives, Arthashastra Fintech Private Limited (hereafter referred to as 'AEFPL') has adopted the following interest rate policy:

### **Interest Rate Policy**

The interest rate to be charged to the borrower for the loans will be decided keeping in view the RBI's guidelines relating to regulation of excessive interest charged by NBFCs.

- a. Interest rate will be arrived based on the following broad parameters:
  - Risk profile of the borrower
  - Interest rate trend prevailing in the money market
  - Cost of borrowings
  - Primary/collateral security offered by client/ structure of the deal
  - Interest rate charged by competitors
  - Tenure of the Borrowing
  - Historical track record of the borrower with the TLIPL
  - Administrative cost and profit margin
- b. Interest rate would be intimated to the borrower at the time of sanction / availing of the loan.
- c. The rate of interest for the same product and tenor availed during same period by different borrower need not be uniform. It could vary for different products for the same or different borrower.
- d. The interest rates could be offered on fixed or variable basis
- e. The interest re-set period would be decided by the Company from time to time.
- f. Interest is calculated on the amount utilized by the borrower.

- g. The interest could be charged on daily/weekly/fortnightly/monthly/quarterly/half-yearly/yearly rests.
- h. The interest may be deemed payable immediately on the due date as mentioned in the loan agreement or as communicated.
- i. The interest for a minimum period that could be charged may be stipulated.
- j. In case of delay in payment of any dues by the Borrower, the agreed upon rate of interest may be enhanced and such enhanced rate of interest may be applied on the unpaid liability, indebtedness or part thereof which is due but not paid on due date for the period it remains unpaid. The aim of the AEFPL is not to make money out of it but to encourage prompt and timely repayment of dues of the AEFPL and to deter the borrower from intentional delay in honouring commitments. However, in deserving cases, the incremental rate on interest may be completely waived off or settled at reduced rates.
- k. No interest is payable on Credit Balance in borrower's account
- l. The final lending rate for each loan or various products offered by AEFPL will be arrived at after taking into account market reputation, prevailing interest rate in the market, credit and default risk associated with the particular borrower or pool of borrowers, historical performance of the clients, profile of the borrower, tenure of relationship with the borrower, historical track record of the borrower in case of existing borrower, subventions available, deviations permitted, future potential, group strength, overall borrower yield, nature and value of primary and collateral security, the administrative cost and profit margin, etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

The benchmark prime lending rate of AEFPL should not be less than the lowest of the Rate of interest charged on the funds borrowed by AEFPL. If the rate of interest to be charged exceeds the maximum permissible limit as per the Reserve Bank of India's guidelines from time to time, the approval of the Board will be obtained. The benchmark prime lending rate is subject to change as per the discretion of management of AEFPL based on the variables as set by the management of AEFPL.

## Processing / Documentation and other Charges

The processing/ documentation and other charges recovered will be expressly stated in the Loan Agreement. They vary based on the asset financed, the exposure limit, expenses incurred in the geographical location, borrower segment and generally represent the cost incurred in rendering services to the borrower.

- The Company may levy any of the below mentioned fees, charges, etc to the Borrower on case to case basis :

(a) Loan Processing Charges	To be charged to the Borrower/s for all expenses pertaining to documentation, Agreement, etc.
(b) Transaction Expenses and Due Diligence expenses	To be charged to the Borrower/s for all expenses pertaining to Legal, Valuation & Professional fees, due diligence, stamp duty, registration and other out-of-pocket expenses.
(c) Default Charges	To be charged on the unpaid dues/liability at the time of occurrence of default where the Borrower/Guarantor defaults on any terms of the Agreement
(d) Part Prepayment	To be charged on the unpaid dues/liability at the time of prepayment where the Borrower wants to prepay the loan or part thereof.
(e) Foreclosure	To be charged on the unpaid dues/liability at the time of prepayment where the Borrower wants to foreclose the loan.

(f) Cheque swapping charges	To be charged to the Borrower/s in each instance where the Borrower/Guarantor is required to submit fresh cheques on account of change in their Bank account for any reason whatsoever.
(g) Cheque bouncing charges	To be charged to the Borrower/s in each instance that any Cheque is dishonored (under any of the payment modes) and consequently represented OR in each instance that a Cheque/ Pay Order/ demand draft is presented when any Installment/s is/are not received by the Company by /upon issue of debit instructions under the ECS method or Direct Debit method or any other payment method (other than the PDC method) as selected by the Borrower/s for any reasons whatsoever.
(h) Documents Retrieval Charges	To be charged where the Borrower requests for additional copies of documents executed
(i) Switch fee for change in payment mode or Loan option	To be charged where Borrower requests to switch the method of interest rate applicability from variable to fixed or vice versa
(j) Switch fee or change in Security/ies	To be charged where Borrower requests to switch the security offered for the existing loan
(k) Loan Reschedule charges	To be charged where the Borrower requests for rescheduling of payment term within the tenure and without modifying the terms of the of the existing loan

(l) Loan Restructuring charges	To be charged where the Borrower is required to modify the terms of the existing loan
(m) Loan Recovery charge	To be charged for the expense incurred by the Company to recover the dues including legal fees, duties, notices, advertisement, etc

The aim of the Company to levy the abovementioned charges other than those mentioned under 'a' and 'b' is not to make money out of it but to encourage prompt and timely repayment of dues of the AEFPL and to deter the borrower against intentional delinquency. However, in deserving cases, such additional / penal interest may be completely waived off or settled at much lower rates.