KOGTA FINANCIAL (INDIA) LIMITED

INTEREST RATE POLICY

Version History		
Document Owner : Rahul Agrawal		
Version	**Name of Policy/Document**	**Date of Approval**
1.0	INTEREST RATE POLICY	June 16, 2020
2.0	INTEREST RATE POLICY	May 19, 2021

Table of Content

1. Introduction

Kogta Financial (India) Limited ('the Company' or 'KFL' or 'Kogta') is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

2. Regulatory requirement

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

3. Interest Rate Model

Kogta Financial (India) Limited is focuses on providing vide range of loan facilitates to its customers i.e. light commercial vehicle (LCV), heavy commercial vehicle (HCV), multi utility vehicle (MUVs), two wheelers, loan against property and MSME business loans etc. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as mentioned below:

a) Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment etc.); terms of repayment of principal; bullet payment, etc.
b) Internal and External Costs of Funds - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
c) Credit Risk - The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer. This cost is then reflected in the final rate of interest quoted to a customer.
d) ALCO View & Market Dynamics: Views of the Asset Liability Management Committee (ALCO) of the Board on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration. The forecasts and analysis of 'what if' scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged.

4. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

i) profile and market reputation of the borrower;
ii) Historical performance of similar homogenous pools of borrowers;
iii) Profile, strength, experience, income/earnings of the borrower;
iv) Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
v) type of asset being financed, end use of the loan represented by the underlying asset;

vi) nature and value of primary and secondary collateral / security;

vii) overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;

viii) RBI Policies on credit flow;

ix) offerings by competitors;

x) external ratings etc.

xi) and any other factors that may be relevant in a particular case.

5. Rate of Interest

a) The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Thus, it is decided that Annualised Rate of Interest of the loans and advances shall be between 13% to 36% p. a. to be charged for the entire tenure.

b) Further Loan amount, Annualised Rate of Interest and tenure of loan will be communicated to the borrower in the welcome letter along with the installments towards interest and principal dues.

c) Besides normal Interest, the Company may levy additional interest for adhoc facilities, penal interest / default interest for any delay or default in making payments of any dues. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and communicated at time of sanctioning the loan.

d) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre- payment / foreclosure charges, part disbursement charges, cheque swaps, cash collection charges, bank charges, charges on various other services like issuing NOC, field visit for collection follow up, Foreclosure Value Statement Charges, Foreclosure charges, Duplicated Repayment Schedule etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

e) The Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loans sanctioned for purposes other than business to individual borrowers with or without co-obligant(s).

6. Content on the website

This Interest Rate Policy shall be made available on the Company website.

7. Review

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severely, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.