

Centrum Financial Services Limited

INTEREST RATE POLICY

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CENTRUM FINANCIAL SERVICES LIMITED- INTEREST RATE POLICY

1. BACKGROUND

Reserve Bank of India vide its circular DNBS/PD/CC No 95/03.05.002/2006-2007 dated May 24, 2007 advised that Board of Non-Banking Companies lay out appropriate internal principles and procedures in determining interest rates, processing fees and other charges.

This was reiterated by Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on Fair Practices Code for NBFCs has directed all NBFCs to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges and make available the rates of interest and the approach for gradation of risks on the website of Centrum Financial Services Limited ("the Company"/ "CFSL").

Accordingly, this note describes the current interest rate policy for the Company which shall be applicable till further notice.

2. RATES OF INTEREST AND THE APPROACH FOR GRADATION OF RISKS

CFSL is engaged in the business of providing finance to entities/ persons across various segments. Given the gamut of products across target segments, it becomes imperative to have an interest rate policy which outlines the broad guidelines.

The interest rate offered to clients shall be based on multiple factors, including specific product, tenor, cost of funds, market conditions and competition. Some of them have been captured below:

- **Cost of funds:** This would include the cost of borrowings as well as the mix of debt to equity (leverage employed) which would have a bearing on the ultimate cost of funds. Additionally, it would also take into consideration the average tenure, market liquidity and refinancing avenues.
- **Credit Risk Premium:** This would be primarily determined by the borrower profile, its ability of servicing the loan, asset cover provided, nature and type of collateral, past borrowing history and the tenor of the loan.
- **Administrative overheads and return on capital:** This would include recovery of administrative expenses and factoring in the desired rate of return on capital.
- **Nature of lending,** for example unsecured/secured, and the associated tenure.
- **Industry trends - offerings by competition.**

It is important to highlight that the rates of interest for the same product, availed for same tenor during the same time shall not be standardised and can be different based on one or more of the factors mentioned above including the categorisation of customers.

Besides interest, other financial charges like processing fees, cheque bouncing charges, prepayment/ foreclosure charges, part disbursement charges, penal charges (which shall be mentioned in bold in the loan documents), commitment fees, charges on various other services like issuing No Due Certificates, NOC letters, ceding charge on assets/ security, security swap & exchange charges would be levied by the Company wherever considered necessary.

At the time of the sanction, CFSL shall intimate to the borrower, the loan amount, tenor, annualised interest rate and principal amortization. The interest rate can be fixed or a floating rate with a specified margin, as decided by the management of the Company.

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The floating rate itself can be an internal or external bench mark. In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing benchmark rate at the time of successive disbursements or as may be decided by the Company.

The rates of interest charged by CFSL across its product offerings (Supply chain finance, MSME, Commercial Finance, Real estate, and any other product offered by the Company) would typically be in the range of 11% to 24% p.a. depending upon the combination of factors specified above.

At present, the Annualized Rate of Interest* to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

<u>Lending Assets / Sector</u>	<u>Indicative Range of Interest</u>
MSME	Minimum 14.0 % p.a to 24 % p.a
SME – Commercial Finance	Minimum 14.5 % p.a to 24 % p.a
Real Estate	Minimum 14.5 % p.a to 24 % p.a
Financial Institution	Minimum 14.5 % p.a to 24 % p.a
SCF (tenor of 90 – 120 days)	Minimum 13.0 % p.a to 24 % p.a

** in exceptional circumstances, based on risk perception, this may fall outside the indicated range.*

The rate of interest is dynamic in nature and would undergo periodic changes, keeping in mind interest rate scenario, business rationale and external competition. These changes would be prospectively effected.

Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.

Claims for interest rate waiver, penal charges or any other charges or fees mentioned above will be guided by the company policies/ business decisions around it. Entertaining of such requests would be at the sole and absolute discretion of CFSL

Any deviation to the above can be provided by the Managing Director or under his delegated authorities.

Notes:

1. This Policy shall be updated from time to time to keep it in line with the requirements of business and in order to observe compliance with the applicable rules/ regulations/ statutes.
2. In case of conflict between this Policy and the regulatory/ statutory provisions, the latter shall prevail.
3. The Policy shall stand automatically amended in case of any regulatory/ statutory amendments.