

KINARA CAPITAL PRIVATE LIMITED

(formerly known as Visage Holdings and Finance Private Limited)

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Interest Rate and Charges Policy

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1. Preamble

Kinara Capital is a pioneering Fintech NBFC, providing fast and flexible and collateral free loans to small business entrepreneurs, thus driving financial inclusion of the underserved MSME sector in India. Kinara Capital provides loans in the range of INR 1-40 lakhs for Working Capital and Asset Purchase needs. Kinara Capital is addressing the missing link between microfinance and commercial capital in the MSME sector. The funds for such loans are borrowed from banks and other financial institutions for on-lending to potential borrowers.

2. Interest Rate Model

The Reserve Bank of India (RBI) had vide its Circular NBS.CC. PD. No.320/03.10.01/2012-13 dated February 18, 2013 and as amended from time to time. advised that Boards of Non-Banking Finance Companies (NBFCs) should lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. Keeping in view the RBI's guidelines as cited above, and the good governance practices, Kinara Capital Private Limited (formerly known as Visage Holdings and Finance Private Limited). hereinafter referred to as "Kinara", has adopted the following internal guidelines, policies, procedures and interest rate model for its lending business.

3. Cost of funds

Kinara Capital borrows moneys from a multitude of financial institutions viz. banks, through issue of Non-Convertible Debentures, Commercial Paper, etc. While there are a number of factors evaluated by the lenders before arriving at the cost of funds that would be levied on the Company, the primary parameter that differentiates the cost between different forms of funding is the underlying tenure of the facility sanctioned, etc. Usually, longer tenure facilities come at a higher cost compared to the shorter tenure facilities.

4. Methodology of Interest Rate Calculation

The interest rate for each of our products are decided by the Credit Committee (CC) at the recommendation of the ALCO (Asset Liability Committee). The average yields and the rate of interest under each product are decided from time to time, giving due consideration and equal weightage to the following factors:

- The weighted average cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity, refinancing avenues, etc.;
- Operating cost in our business and maintaining the stakeholder's expectations for a reasonable, market-competitive rate of return;
- Industry trends - offerings by competition in the industry;
- Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio;
- Nature of lending, for example unsecured/secured, and the associated tenure;
- Nature and value of securities and collateral offered by customers; risk profile of customer - professional qualification, stability in earnings, financial track record, past repayment track record with us or other lenders, credit reports, customer relationship, future business potential etc.;
- Whether the customer is a new to credit or an existing one.

5. Our Approach to Interest Rate

Kinara has adopted a discrete interest rate policy which means that the rate of interest for the same product and tenure availed during the same period by separate customers will 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 will be decided at any periodicity, depending upon market volatility and competitor review.
- Besides normal interest, Kinara may levy additional interest for adhoc facilities, cheque bouncing charges, 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 will be decided within the limits prescribed under the policy.
- The interest re-set period for floating/variable rate lending will be decided by Kinara from time to time, applying the same decision criteria as considered for fixing of interest rates.
- Interest will be charged on a daily rest basis and recovered on a monthly basis. Specific terms in this regard will be addressed through the relevant product policy.
- Interest rates will be intimated to the customers at the time of sanction/availing of the loan and the EMI apportionments towards interest and principal dues will 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.
- Interest changes will be prospective in effect and intimation of change of interest or other charges will 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, penal charges, pre-payment / foreclosure charges, part disbursement charges, 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, insurance etc. will be levied by Kinara wherever considered necessary. Besides the base charges, the service tax and other cess will be collected at applicable rates from time to time. Any revision in these charges will be with prospective effect. These charges will be decided upon collectively by the management of Kinara.
- Prior to entering into an agreement with our customers, Kinara will provide them with our statement of charges and interest and address their queries and questions on this to their satisfaction. Our officers ensure charges and rates of interest are explained clearly and transparently to customers who may be interested in our products. The same will also be displayed on our portal.
- In case of staggered disbursements, the rates of interest will 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 Kinara.
- Claims for refund or waiver of such charges/penal charges will normally not be entertained by Kinara and it is the sole and absolute discretion of the Company to deal with such requests.

6. Risk Based Interest Rate Pricing

The customers are categorized into a gradation of risk categories based on various data points collected during the loan process such as customer history, business history, credit history, sector, sub-sector business is operating in, business revenues, banking history, past loan history with Kinara, etc. Based on data collection, verification and calculations, our data science model determines the risk of each loan and categorizes this risk into different risk bands. A risk adjusted premium is applied to the base rate of a particular loan product to derive the final interest rate for a given loan. Also, Kinara does not plan to enter or deal with the High-Risk segments such as politically exposed person of Indian or Foreign Origin, those with dubious reputation as per public information available etc.

Interest Rates can range from 14% to 36% per annum on a reducing balance basis for a loan. Identical products may attract different interest rates for different customers. Interest rates may vary depending upon a combination of factors including but not limited to credit and default risk, historical performance of similar clients, profile, repayment track record and credit history of the applicant, nature of the business, value of collateral security, tenor, etc.

7. Processing fees

Kinara charges processing fees ranging from 0 to 3% of the approved loan amount + GST @ 18%, depending on the product. This is deductible from the loan amount at the time of disbursement.

8. Other charges

1. Documentation Charges:

The documentation charges can range from zero to Rs. 2500 + 18% GST. Specifically,

- For Working Capital & Machinery Loan cases: the charges are 2% of the loan amount + GST.
- For Loan Against Property cases: the charges are Rs 5000/- + GST
- For Bill Discounting cases: Rs 6000/- + GST, charged at the time of 1st invoice discounting.

2. Bounce charges on the repayment:

Charges are upto Rs 750/- per transaction that is returned unpaid. In case a customer does not honour his/her repayment, Kinara reserves the right to charge upto Rs 750/- + GST for every transaction that is unpaid.

3. Insurance Premium:

- Kinara provides the option of credit cover on the loan by charging an insurance premium on loans
- >= 12 months. Based on age of customer and calculated tenure of his / her loan, the insurance premium is calculated for every lakh of the loan amount.

4. Bank Swap Charges - Rs. 1000/- Per instance.

5. MOTD* stamping and registration charges (only for LAP).
 - Dependent on State Stamp Act
 - Stamp Duty is upto 0.5% of the loan amount or max Rs 50000/- (State specific)
 - Registration fee on MOTD upto 1% of the loan amount or Rs 10,000/- (State specific)
6. Valuation Charges (Only for LAP) – upto Rs 3500 + GST
7. Broken Period Interest (BPI): Kinara will charge customer interest for the period from the date of disbursement till the date of repayment (EMI date). The interest on the BPI amount charged for the BPI period should be refunded to the customer, which will be handled by adjusting the amount against the principal resulting in the POS reduction.

*MOTD – Memorandum of Deposit of Title Deeds.

9. Penal Charges

- 1) Kinara will charge penal charges to customers in the event of non-payment or overdue of –
 - EMI [could be EDI (daily) / EWI (weekly) / or monthly (EMI) payment due] OR
 - Broken Period Interest (BPI) OR
 - Interest on drawdown amount (simple interest on amount withdrawn in line of credit / bill discounting)
- 2) The amount to be charged as penal charges will be Rupee 1/- per thousand per day.
- 3) Delay in payment of penal charges will not attract any further penal charges.
- 4) Penal charges remain the same across all products for all categories of customers.

10. Pre-payment or Foreclosure Charges

- Foreclosure charges to customers when they close with own funds or through balance transfer

Pre-payment or Foreclosure charges	Tenure							
	Upto 12 months	Upto 18 months	Upto 24 months	Upto 30 months	Upto 36 months	Upto 48 months	Upto 52 months	> 52 months
10%	0-6 m	0-6 m	0-6 m	0-6 m	0-6 m	0-6 m	0-6 m	0-6 m
8%	NA	NA	7- 9 m	7- 9 m	7-9 m	7-12 m	7-13 m	7-15 m
5%	7- 9 m	7-12 m	10-12 m	10-15 m	10-18 m	13-24 m	14-26 m	16-30 m
3%	NA	NA	13-18 m	16-22 m	19-27 m	25-36 m	27-39 m	31-45 m
2%	10-12 m	13-18 m	19-24 m	23-30m	28-36 m	37-48 m	39-52 m	> 45 m

- Foreclosure charges for internal closures**

For loans which Kinara will foreclose internally as part of funding another loan (top-up), there will be NIL charges levied as foreclosure charges.

11. Delegation of Authority to Approve Interest Rate Deviations

Reduction from approved rate of interest can be approved at the following levels:

- Upto 2%: Sub-Department Head – Sales
- 2.1 to 4%: Department Head – Sales
- > 4%: CEO

Waiver of other charges rest with Department of Sales / Collections / Credit or Business Operations

12. Review of the Policy

The rates of interest and charges shall be reviewed periodically and any revision in this policy shall be decided by the Credit Committee. The policy will be reviewed yearly or as required by the Board of Directors of the Company.