

Lendingkart Finance Limited

Policy on Interest Rate, Penalties and Other charges

1. Introduction

This policy represents Lendingkart Finance Limited's (LFL' or 'the Company') guiding philosophy of dealing with customers in a fair and transparent manner while ensuring sustainability of operations with the right risk-reward metric.

The policy outlines the internal principles and procedures for determining interest rates in accordance with the RBI Guidelines on Fair Practices Code for NBFCs (under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 – updated from time to time),.

Additionally, the RBI has directed Regulated Entities to formulate a Board approved policy on penal charges. Accordingly, this policy also defines the principles for determining penal charges on the loan products offered by LFL. The policy applies to all loans originated by LFL, whether on its own book or under co-lending arrangement.

2. Methodology of Arriving at Interest rate and charges for Loans:

1. The Company determines interest rates on Loans by considering several factors, including the weighted average cost of borrowed funds, types of cross-sell products offered, cost of customer acquisition (CoCA), execution cost, interest rate risk, credit risk in the relevant business segment, historical performance of similar homogeneous clients, the borrowers profile (e.g. Industry & business-margins), tenure of the borrower relationship, repayment track record, permitted deviations, future potential, overall customer yield etc. This information is gathered from borrower provided data, credit reports, other data sources and market intelligence.
2. The cost of un-allocable overheads and other administrative costs, and margin referred to as RoA (i.e., pre-tax Return on Asset) is added to determine the final lending rate.
3. The weighted average cost of funds is calculated based on the cost of the aggregate borrowings of the Company at the month-end, taking into account various sources such as term loans, bank lines, NBFC lines, nonconvertible debentures, etc.
4. The rate of interest for the same product with the same tenure availed during the same period may vary across customers, depending upon any one or combination of the factors mentioned in Point 1 above. This information will be disclosed to the borrower or customer in the application form and explicitly communicated in the sanction letter.
5. The rates of interest and the Company's approach to risk gradation shall also be published on the Company's website.
6. The interest rates are calculated/charged on a reducing balance method.
7. The interest rates for Business Loans (i.e. to individuals/entities for business purposes) may be offered on either a fixed or floating rate basis. For Personal Loans, interest rates shall be offered only on a fixed rate basis. The repayment schedule of all loans shall follow reducing balance method.
8. The interest may be charged on a weekly, biweekly, monthly or quarterly basis depending on the product or customer segment. The interest shall be deemed payable immediately on the due date as communicated to the borrower, and no grace period shall be allowed for payment of interest.
9. The interest will be charged from the date of actual disbursement of the funds to the customer.

Policy on Interest Rate, Penalties and Other charges

10. In case where loan disbursement or repayment occurs during the month, interest will be charged only for the period during which the loan was outstanding.
11. Any payments received from the customer in excess of the due amount will be governed by the Company's policy - *Policy for Treatment of excess Equated Monthly Instalments (EMI) (or part thereof) received from borrowers.*
12. Amount collected will be appropriated first towards the oldest overdue amount starting with interest, followed by principal. Any remaining balance will be appropriate to charges, if applicable. In the event of a settlement, amount will be appropriated first towards the outstanding principal, and any remaining amount will be applied towards Interest and other charges, if applicable.
13. In addition to interest, the Company may levy other financial charges such as processing fees, maintenance fees, origination fees, cheque bouncing charges, cheque swap charges, late payment charges, legal charges, pre-payment / foreclosure charges, NOC issuance charges, Statement of Account ('SOA') charges, wherever applicable.
14. Furthermore, charges such as stamp duty, documentation charges, cash handling charges, RTGS/ other remittance charges, commitment fees, GST and other cess will be collected at prevailing rates, as communicated in the documentation provided to the borrower. Any revision to these charges will apply prospectively and will be communicated to the borrower 30 days in advance. Please refer to the following link for the detailed schedule of charges: www.lendingkart.com/schedule-of-charges/
15. The processing fee shall not exceed 4% of the sanctioned amount for both Business and Personal Loans.
16. Documentation charges would be applied as follows:

For loans less than Rs. 5 lakhs	: Rs. 3,050+ GST
For loans from Rs. 5 lakhs up to Rs. 10 lakhs	: Rs. 3,750 + GST
For loans above Rs. 10 lakhs	: Rs. 5,700 + GST

3. Maximum Annual Percentage Rate (APR)

1. The Annual Percentage Rate (APR) represents the total annual cost of borrowing. In addition to the interest rate, it includes processing fee, document charges and charges related to insurance/other cross-sell products offered. All the components of APR will be disclosed in the Key Facts statement (KFS) shared with the customer.
 - 1.a. The processing fee is charged as a percentage of the sanctioned amount and includes the following components:
 - Cost of customer acquisition
 - Cost of delivery
 - Credit guarantee costThese components collectively serves as the upper cap for the processing fee.
 - 1.b. The document charges are flat charges that cover expenses such as stamp duty and courier charges.
 - 1.c. LFL offers cross-sell products designed to be relevant to customers and to help alleviate the stress of the loan-burden during unforeseen life events. These products also partially mitigate credit risk for LFL. Additionally, a monthly update on cross-sell including details of claims and settlements for insurance products will be presented to the Board of Directors, categorized by product and partner.
2. The maximum spread between APR and the Interest Rate (IR) is determined based on the loan amount bucket, as outlined below:

Loan Amount	Maximum difference (between APR and IR)
Below ₹5 lakhs	8%
Between ₹5 lakhs and ₹10 lakhs	6%
Above 10 lakhs	5%

Hence, the maximum spread between APR and IR shall not exceed 8%.

4. Penal Charges:

1. The Company may levy additional / penal charges in case where the borrower fails to comply with material terms and conditions of the loan agreement. These penal charges shall not be capitalized i.e. no further interest will be computed on such charges.
As per the recommendations of the 55th GST Council, no GST is applicable on penal charges levied. This is in accordance with the RBI directions dated August 18, 2023, pertaining to non-compliance with material terms and conditions of loan agreement by the borrower.
2. Requests for refund or waiver of charges, including penal charges or additional interest, would generally not be entertained. However, the Company reserves the sole discretion to consider such requests. Any genuine refund claims will be processed in accordance with the terms and conditions of the loan agreement.
3. The Company will not charge penalties in the form of penal interest added to the applicable rate of interest. Furthermore, no additional component resembling a penalty will be included in the interest rate charged on loans.
4. Loans that remain unpaid on the due date shall attract penal charges at such rates as mentioned in bold in the respective customer loan agreements. All applicable service charges, prepayment charges, if any shall be disclosed to the borrower. Furthermore, no prepayment charges shall be levied on loans with a sanctioned amount of up to 50 lakhs.
5. The quantum of penal charges shall be reasonable and proportionate to the nature and extent of the borrower's non-compliance with the material terms and conditions of loan agreement. These charges shall be non-discriminatory within the same loan or product category. While determining the penal charges, the Company will also consider prevailing market practices and approach adopted by competitors.
6. The applicable penal charges, along with the reasons for their imposition, shall be communicated to the borrowers through reminders issued for non-compliance with material terms and conditions of the loan agreement.
7. The below table outlines the applicable penal and other charges. For updated and detailed information, please visit our website [www.lendingkart.com /schedule-of-charges/](http://www.lendingkart.com/schedule-of-charges/)

Policy on Interest Rate, Penalties and Other charges

Type	Unsecured Business Loan interest rate and Charges	Unsecured Personal Loan interest rate and Charges
Interest rate (per annum)	13.5% to 35%	16% to 35%
Processing Fees (PF in %)	Maximum 4% of the loan amount	Maximum 4% of the loan amount
Cross-sell charges	Capped as part of APR	NA
Documentation charges in INR for range of Loan Amounts	0 to <5 lakhs – 3,050 + GST >=5 to <=10 lakhs – 3,750 + GST >10 lakhs - 5,700 + GST	NA
Broken Period Interest (BPI)	<i>Scenario 1: If disbursed on 1st, 2nd, or 16th onwards then BPI amount would be part of the instalment.</i> <i>Scenario 2: If disbursed from 3rd to 15th then BPI is 0. First instalment will have partial-month interest on actual number of days</i>	<i>Scenario 1: If disbursed on 1st, 2nd, or 4th onwards then BPI amount would be part of the instalment.</i> <i>Scenario 2: If disbursed on 3rd then BPI is 0.</i>
NACH registration or activation	INR 30/- per registration	NA
Instrument swap charges	INR 500/- (Rupees five hundred only) per swap + GST	INR 500/- (Rupees five hundred only) per swap.
Change in account mapping	INR 500/- (Rupees five hundred only) per request + GST	INR 500/- (Rupees five hundred only) per request.
Foreclosure Charges, if applicable	No foreclosure charges	5% of principal outstanding
Dishonour charges	INR 150/- (Rupees one hundred and fifty only) towards each cheque dishonoured. + GST INR 20/- (Rupees twenty only) towards each dishonour of the ECS/ NACH transaction.	INR 150/- (Rupees one hundred and fifty only) towards each cheque dishonoured. INR 20/- (Rupees twenty only) towards each dishonour of the ECS/ NACH transaction.

Policy on Interest Rate, Penalties and Other charges

Late payment charges or Penal Charges	0.1% (zero-point one percent) per day or 36% per annum on the overdue principal and interest amount for the period between the due date till the receipt of the entire overdue amount + Rs 300/- (Rupees three hundred only) for each overdue instalment of loan amount.	0.1% (zero-point one percent) per day or 36% per annum on the overdue principal and interest amount for the period between the due date till the receipt of the entire overdue amount + Rs 300/- (Rupees three hundred only) for each overdue instalment of loan amount.
Legal charges	At actuals.	At actuals.
Duplicate No Dues Certificate	NA	NA
Signature Verification	INR 10/-	NA
Cooling-off period*	Up to 2% of the sanction amount (a portion of processing fee) can be retained in case the customer decides to exit the loan in cooling-off period i.e., within 3 days from the day of disbursement	NA

* Will be implemented once system capabilities are ready

Disclosure of Rate of Interest and Penal Charges to the borrower:

1. At the time of loan sanction, the loan amount, annualized rate of interest, tenure, the equated monthly instalments (EMI) amount shall be disclosed to the borrower.
2. The quantum and rationale for any penal charges shall be disclosed in bold in the loan agreement and also included in the terms & conditions / Key Fact Statement (KFS'), as applicable.
3. In the event of non-compliance with the material terms and conditions of the loan, the levy and amount penal charges, along with the reason thereof shall be communicated to the borrowers through appropriate reminders.

Change in interest rate and charges

1. Any change in interest rates or charges shall be implemented by the company on a prospective basis only
2. In case of any changes to existing loan, the company shall provide advance notice to the borrower in the vernacular language, or in a language as understood by the borrower.

Risk Bucket and Interest Range:

The borrowers are categorized into risk buckets (A to F) based on several factors, including

Policy on Interest Rate, Penalties and Other charges

- customer's industry sector,
- geography location,
- Bank statement analysis,
- Income, business turnover, and profit margins,
- Existing loans and loan obligations of the customer,
- Overall customer credit score and business profile

Based on the borrower's assessed risk category, the applicable effective annualized reducing interest rate are as follows:

- Business Loans: 13.5% to 35%
- Personal Loans: 16% to 35%

Review of the Policy

- This Policy will be reviewed annually or as and when considered necessary by the Board of the Company.
- Any change or amendment to this Policy must comply with the applicable Master Directions and regulatory guidelines in force at the time.
- An abridged version of this policy would be placed on the website of the Company.

Annexures

Annexure: Cross-sell product and rationale

LFL offers three insurance products as optional products along with loan applications, namely Credit Life Insurance, Critical Illness & Personal Accident and Hospital Daily Cash Allowance. In the MSME customer segment, entire business set up is dependent on the proprietor/business owner and in case of any eventuality, there is usually no backup to support the business and manage the liabilities. Thus, offering Credit Life Insurance cover becomes imperative to cover the liability of the borrower, and credit risk of the lender also gets partially mitigated through this product.

Further in case of any critical illness or personal accident leading to permanent partial/total disability or death, we are offering Critical Illness & Personal Accident cover. Additionally, to manage the day-to-day expenses in case of hospitalization of the borrower we are offering the Hospital Daily Cash Allowance product as it helps in reducing financial strain during medical emergencies. The table below summarizes all the products and their rationale:

Cross sell product	Rationale
Life insurance	Loan linked insurance which covers the entire loan amount in case of demise of the borrower during the loan tenure. Since the customer is taking an additional liability, the previous insurance covers may not suffice for this new liability.
General insurance	Loan linked insurance which covers the entire loan amount in case of borrower's demise or permanent total/partial disability due to any of the listed 33 critical illnesses or personal accident. This product is provided to cover the risk in case the customer is diagnosed with any of the listed critical illnesses.
Hospicash	Provides daily cash benefit of a maximum of INR 5K/day to the customer in case of hospitalization of the customer for more than 24 hours. Benefit is capped at a maximum hospitalization of 30 days. This cover provides financial support to customers during hospitalization, offering additional assistance when their business operations are on hold.
Health card	It's a value-added service with key benefits like free doctor consultation, free comprehensive health checks (blood test) and pharmacy & lab discounts encouraging preventive health care.
Financial Health Report (FHR)	Provides insights into various key financial parameters & history to strengthen the customer's financial health, which may help in improving credit worthiness of the borrower and availing higher loan amounts in future.
Wallet protection	It's a value-added service with key benefits like a single call to block all cards, emergency travel assistance & complimentary fraud cover.