

**Interest Rate Policy**  
**of**  
**Capsave Finance Private Limited**

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## 1. DEFINITIONS

ALCO	Asset Liability Committee
Board	Board of Directors of the Company
Company	Capsave Finance Private Limited
Policy	Interest Rate Policy
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
NBFC	Non Banking Finance Company
ND	Non Deposit Taking
SI	Systemically Important

## 2. PREAMBLE

The Company is systemically important non-deposit taking non-banking finance Company (NBFC-ND-SI), further classified as Investment and Credit Company (NBFC-ICC) under extant RBI norms (bearing Certificate No. B – 13.01702). The Company was incorporated on August 7, 1992 and is a 100% subsidiary of “Rent Alpha Private Limited”, with effect from June 15, 2016.

The Company’s primary business is advancing leasing facility, working capital financing and term loan financing. Range of equipment leased/financed include IT, Plant & Machinery, ATMs, Furniture & Fit Outs, etc. The Company’s loans and advances are generally fixed rate in nature for various tenors. The loans and advances and assets are funded through mix of equity and debt sourced from various lenders.

As per RBI guidelines, Board of each NBFC shall approve an Interest Rate Model for the Company, taking in to account relevant factors such as cost of funds, margin and risk premium etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

It should be noted that as a responsible corporate citizen, activities of the Company are conducted in compliance with the prevailing regulatory guidelines of RBI / SEBI apart from other applicable regulations and law of the land. In the event, any part of this policy is at a deviation from RBI / SEBI or other regulatory guidelines at any stage, either due to omission or revision in regulatory guidelines from time to time, the regulatory guidelines would prevail.

The Board has approved and adopted this policy in its meeting dated **February 14, 2022**, and the policy is effective from this said date.

## 3. SCOPE OF THE POLICY

This Interest Rate Policy lists the methodology to arrive at the Benchmark Lending Rate for the Company. Any decision to charge specific spreads or final interest rate to be charged to customer will be governed under the Credit / Risk policy and principles of the company.

#### 4. REVIEW OF THE POLICY

This Policy shall be reviewed annually, and also on an ad-hoc basis in case of any major regulatory change or macroeconomic change in business. This would then be placed before the ALCO for its guidance and approval before being placed for Board approval / ratification.

#### 5. AUTHORIZATION

The Board shall have the oversight of the Interest Rate Policy and in order to ensure effective implementation may delegate certain responsibilities to the ALCO.

The ALCO shall be responsible for determining the Benchmark Lending Rate based on a predefined model (as per Table 1), which will be reviewed by the ALCO atleast on a semi-annual basis, or at such lesser frequency as may be deemed fit by the ALCO.

Business can have their internal pricing policies under the overall framework of board approved interest rate policy for company for deciding the spreads to arrive at final rate.

#### 6. INTEREST RATE MODEL

The Benchmark Lending Rate will be calculated based on the following factors:

Particulars		Description
Weighted average cost of borrowing	A	The Company borrows funds through Banks Loans and various Capital Market Instruments. Weighted average all-inclusive cost of borrowing of such funds is considered for benchmark calculation.
Cost of Equity (RoE)	B	The company funds part of its business with equity capital invested. Cost of Equity represents the expected shareholder return for the equity investment in business.
<b>WACC</b>	<b>C = A + B</b>	Calculated based on gearing (External Debt / Equity)
Negative Carry on Investments	D	Represents the negative carry due to surplus liquidity in the company, required to manage liquidity risk
Operating Cost	E	Represents expenses required to continue regular business operations (employee, office, sales and marketing, overhead expenses etc.)
Risk premium (ECL / Credit Cost)	F	Represents risk premium to cover for normal business losses (expected credit loss)
ROA / Hurdle Rate	G	Represents the company return expectation on its assets
<b>Benchmark Lending Rate</b>	<b>H = SUM (C to G)</b>	

## 7. PRINCIPLES AND PROCEDURES FOR CHARGING SPREADS TO CALCULATE FINAL RATE

The rate of interest for loans for various business segments/products is arrived after adjusting for spread by the relevant business segment. Spread is dependent on credit assessment for risk considering the following indicative characteristics:

- Borrower Specific:
  - Business and Financial Profile of the borrower
  - Bureau Score
  - Industry segment
  - Repayment track record of the borrower
- Business Segment Specific:
  - Credit and default risk in the business segment
  - Historical performance of similar borrowers
- Deal Specific:
  - Ticket size of loan
  - Tenure of Loan
  - Nature and value of collateral/security
  - Secured / Unsecured
  - Type of asset being financed

The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.

Segment	Nature
Leasing	Fixed
Equipment Finance / Commercial Finance	Floating and/or Fixed
Supply Chain Finance	Floating and/or Fixed

## 8. OTHER CHARGES

Besides interest, other financial charges like processing fees, origination fees, payment bounce charges, late payment charges, rescheduling charges, pre-payment / foreclosure charges, part disbursement charges, charges for issue of statement account, modification charges etc., could be levied by the company wherever considered necessary.

Besides these charges, stamp duty, government rates, taxes and other cess would be collected as applicable rates from time to time.

Any revision in these charges would be from prospective effect. These charges would be decided upon by respective business / product heads in consultation with Operations and Finance department heads.

## 9. COMMUNICATION

Interest rates, along with the frequency at which they will be charged, would be intimated to the customers at the time of sanction / availing of the loan.

Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company.

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