



# **ASK Financial Holdings Private Limited**

## **INTEREST RATE POLICY**

**February 2024**

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### Introduction

- This Interest Rate Policy ('Policy') provides the guidelines regarding the pricing for loans given by ASK Financial Holdings Private Limited (AFHPL). This further provides the guidelines for communication of policies with borrowers through the application form, sanction letter and our loan agreements and security documents.
- This Policy is following the requirement of the Reserve Bank of India ('RBI') to have a documented policy for interest rates being charged on loans disbursed by AFHPL and ensures coverage under the Fair Practices Code circular, amendments thereto and any other applicable guidelines issued by RBI.

### Interest Rate Considerations

AFHPL has an established credit approval process as detailed in Credit Policy. Interest rates are determined on a case-to-case basis based upon our evaluation of various factors, including, but not limited to:

- **Risk profile of the borrower:** as determined by our credit assessment, specifically the borrower's ability to generate project cash flow, the availability of collateral, the use of proceeds, the type of loan, previous track record, and other factors which may be borrower specific. These factors will result in a credit premium.
- **Cost of funds:** The interest rate to any borrower also includes AFHPL's weighted average cost of funds which is in turn a function of the company shareholders' expected return on equity and the market rate of debt, if any.
- **Loan Tenor:** A borrower's interest rate will also depend on the term of the loan; structure of the loan, interest and principal amortization schedule, etc.
- **Market conditions:** Other factors which might impact the interest rate are movement in external benchmark rates, existing and anticipated changes in capital requirements and other regulatory changes, the existence of a secondary market and general market liquidity, the change in market interest rates, the credit markets and trends with respect to credit and cyclical conditions, etc.
- **Operating Costs:** The interest rate charged will also take into account costs of doing business including the amount of time required to analyse and complete the transaction, its complexity, size and the overall exposure to the borrower, etc.

### Rate of Interest

- AFHPL can extended loans which are priced either at fixed rate or at floating rate which may be linked to any benchmark.
- Borrowers availing disbursement upto 15<sup>th</sup> day of any month shall be charged based on the benchmark rate / cost of funds as on the closing date of preceding month. E.g: If a Borrower has availed disbursement on 10-Feb-2024, rate parameters as at 31-Jan-24 shall be applicable.

- The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy. The interest structuring for each loan will vary.
- At present the Annualised Rate of Interest to accrue to the borrowers, during the lifecycle of the loan, may be in the range as mentioned below:

Segment	Interest Rate Range
Real-Estate / Corporate Loans	12% to 24% pa
Loan against Shares / AIF units /PMS/ Property / MF / any other capital market security	8% to 20% pa

- Penal rate of interest, if any may, be separately charged on case specific basis. The same shall be stipulated in the range of 2% to 12% over and above normal interest rate being charged as detailed hereinabove.
- Annualized Interest rates can be split into differential yield during the tenure of loan (e.g. step up/ step downs) or linked to performance milestones. The annualized rates may even be charged on XIRR calculation basis.

#### Penal Charges

- **All Penal charges** shall be approved by MD & CEO. The quantum and reason for penal charges shall be clearly disclosed upfront in the loan agreement and Most Important Terms & Conditions (MITC) / Key Fact Statement (KFS).
- Penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the relevant loan contract and shall be payable by the Borrower; may vary from one category of loan to another.
- Default in repayment, among others, is also a type of non-compliance of material terms and conditions of loan repayment contract by the borrower. Penalty charges for such default would be levied. Such penal charges shall be only on the amount under default. Further, there shall be no capitalization of the penal charges i.e., no further interest computed on such charges.
- Additional penal charges will not be levied on the earlier outstanding amount of penal charges.

#### Disclosures & Procedural Aspects

Each loan transaction is a negotiated deal supported by customary loan and security documentation. The rate of interest and total liability is disclosed and communicated explicitly to the borrower and documented to allow the borrower to make an informed decision.

#### AFHPL's loan documentation details:

- The amount of the loan along with the terms and conditions including annualized rate of interest.

- Details of the default interest / penalty interest rates, penal charges and other fees and charges payable by the borrower.
- Terms and conditions governing the loan are conveyed to the customer in writing and changes to the loan are documented either by amendment to the documentation or as an addendum. All documented changes are accompanied by a communication to the borrower with a request to confirm acknowledgement of receipt. AFHPL also utilizes electronic media to accelerate the timeframe to advise clients of material changes to the loan followed by a mailed document. All communication sent to and received from the borrower is maintained in credit files at AFHPL's offices.
- This Policy or its applicable standards shall be displayed on the Company's website in compliance with the directions of the RBI.

### **Special Mention Account (SMA)**

In case the borrower fails to make payment towards the interest and / or principal / dues, the borrower's account shall be classified as SMA account. Applicable extant guidelines by RBI for SMA shall be applicable. For clarification, SMA shall be identified as per the following example:

If due date of a loan account is March 31, 2024, and full dues are not received by AFHPL before day-end of March 31, 2024, the account will be considered as overdue with reference to due date and will be tagged as SMA-0. If the account continues to remain overdue and all due are not regularized by April 30, 2024, then the account gets tagged as SMA-1 as on April 30, 2024 i.e upon completion of 30 days being continuously overdue. If the account continues to remain overdue, then the account gets tagged as SMA-2 as on May 30, 2024 and if it continues to remain overdue further, account gets classified as NPA at the day end on June 29, 2024.

\*The date(s) mentioned hereinabove are for illustrative purposes only.

Please take note that SMA / NPA reporting is done at Borrower level as per applicable regulatory guidelines and thus, overdue in any one account of the Borrower will result in reporting of the Borrower as SMA or NPA as the case may be.