



KEERTANA FINSERV LIMITED

Name of Policy	INTEREST RATE POLICY
Date of Approval	31-12-2024
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Approving Authority	Board of Directors
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Version Control

Version	Date	Description	Changes
V1	31-12-2024	Adoption of Interest Rate Policy	NA
V2	04-02-2025	Reviewed and adopted amended Interest Rate Policy	The Interest Rate Policy was amended updated and adopted.
V3	07-05-2025	Reviewed and adopted amended Interest Rate Policy	Revision of interest rates

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A. PREAMBLE

Reserve Bank of India (RBI) had vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as amended from time to time) (“RBI Master Directions”) advised Boards of Non-Banking Finance Companies (NBFC’s) to adopt an interest rate model taking into 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. Further, the directive states that 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.

In order to ensure its standards of transparency, in conformity with the stipulations of the RBI’s directives and in compliance with the requirements of the RBI Regulations mentioned above, “Keertana Finserv Limited “the Company”, has adopted this Interest Rate Policy for determining Interest Rates, Processing and Other Charges and broadly outlining the Interest Rate Model and the Company’s approach of risk gradation in this regard for its lending business.

This Policy would be effective from the date of approval by the Board and would be subject to amendments in accordance with Regulations, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any inconsistency of the provisions of this Policy with any amendments, circulars, clarifications etc. issued by relevant authorities, then such amendments shall prevail upon the provisions of this Policy.

B. COMPANY BACKGROUND

The Company lends money to its customers through fixed interest rate loans. The Company being a diversified NBFC lends money through various products to cater the needs of different category of customers. The broad categories of loans financed by company are as follows.

- Gold Loan
- Micro Enterprise Loans
- Housing Loans
- Loan against Property
- MSME Loans
- Personal Loans

C. OBJECTIVE

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

D. INTEREST RATE MODEL

The interest rate charged by the Company for loans and advances is on a Fixed Rate basis. Interest rates may vary for the same product and tenure based on factors such as the borrower's profile (age, dependents, residential stability, employment type and tenure, income, business growth if self-employed), collateral quality, repayment history, credit score, Loan-to-Value ratio, and past association with Company.

The lending interest rate is determined based on the weighted average cost of funds, including borrowing costs, risk premium, administrative expenses, profit margin, and market conditions. The Company charges an annualized interest rate, explicitly communicated in the sanction letter, with any revisions applied prospectively.

Loan repayment structures may include Equated Monthly Instalments (EMI), structured repayment plans, or interest servicing options (monthly/quarterly), with principal repayment at the end of the tenure. Bullet repayment of both principal and interest may also be offered.

The Interest Rate Model considers market reputation, credit/default risk, historical customer performance, repayment track record, tenure of relationship, subventions, and deviations permitted. Data is sourced from customer disclosures, credit reports, and market intelligence, factoring in competitor practices where relevant.

At the time of loan sanction, the Company discloses the loan amount, annualized interest rate, annual percentage rate (APR), fees, tenure, and instalment details to the borrower.

Components that shall be considered in determining the pricing of the loans are as below

- a) *Finance Cost*: This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. Major contributing factor to this component includes interest payable on Secured/ Unsecured Non-Convertible Debentures, Interest on Bank Borrowings and other incidental charges thereto.
- b) *Operational cost of sourcing, collection and loan administration*: The loan management cost incurred by the company for sourcing and administration of its loan products should be factored into all transactions. The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest.
- c) *Expected contribution to common overhead and gross margins*: The above factors cover the cost aspect of the Company's lending, in addition to which the interest income has to cover head office expenses, managerial expenses, technological expenses, operational cost, sales and marketing expenses and other opex cost.
- d) *Delinquency cost* –Cost of delinquency shall be factored into all transactions. This cost is then reflected in the final interest rate quoted to its borrowers.

Broad factors in determining Interest Rate for each category of loans is tabled hereunder:

As the company operates different loan products which are offered under different business models, with varying credit and operational risks, the pricing of the loans shall also vary accordingly. Also, a component of company's borrowings are drawn for specific asset classes which has bearing on the cost of fund due to underlying loan category. A table is presented below for each asset class defining the range of cost factors which are arrived at based on our experience, market information & data trends.

GOLD LOANS		
Factors Affecting Interest Rate Determination	Annualized Rate of Interest	
	Minimum	Maximum
	10.80%	26.50%
Finance costs *	12.00%	14%
Employee benefit expenses **	4.00%	5.00%
Depreciation and amortization ***	1.00%	1.50%
Total Other Expenses ****	1.00%	1.50%
Credit Cost	0.30%	0.30%
Total expenses	18.30%	22.30%
Gross Margin	-7.50%	4.20%
Tax Expense:		
Current Tax	-1.88%	1.05%
Net Margin	-5.63%	3.15%

*As the Company has BBB+ rating, the company is not able to leverage any benefit of lower interest rate even on Gold Loans. Lenders generally charge lower interest rate on secured loans compared with unsecured ones, however, the company is yet to secure this benefit.

**Gold Loan Branches have Branch based staff, who are always stationed at Branches to serve the needs of clients who come to Branch for availing and payment of loans. Sales team meet prospective clients and generate leads. As such employee cost is not lower even though the average loan size is >1L.

***Gold Loan Branches have very high set up cost and the depreciation cost is very high in the first two years.

****Major portion of this is rental cost. In order to have better visibility and attract walk-in-clients, Branches are set up in commercial areas, where rental cost is very high.

JOINT LIABILITY GROUP LOANS		
Factors Affecting Interest Rate Determination	Annualised Rate of Interest	
	Minimum	Maximum
	23.50%	28.50%
Finance costs	13.50%	14%
Employee benefit expenses *	4.00%	5%
Total Other Expenses	1.00%	1.00%
Credit Cost **	3.00%	5.00%
Total expenses	21.50%	25.00%
Gross Margin	2.00%	3.50%
Tax Expense:		
Current Tax	0.50%	0.88%
Net Margin	1.50%	2.63%

*In the challenging scenario, where the staffs spends most of their productive time on collections and are not able to focus on business, the employee cost will increase.

**While there were incidents of credit costs raising up to 20%, as this happens in cycles, max of 6% is considered in a year.

LAP AND HOME LOANS		
Factors Affecting Interest Rate Determination	Annualised Rate of Interest	
	Minimum	Maximum
	16.00%	25.00%
Finance costs *	12.00%	14%
Employee benefit expenses	2.00%	4%
Total Other Expenses	0.30%	0.50%
Credit Cost **	0.50%	2.00%
Total expenses	14.80%	20.50%
Gross Margin	1.20%	4.50%
Tax Expense:		
Current Tax	0.30%	1.13%
Net Margin	0.90%	3.38%

*The Company avails short terms loans from NBFCs and other Financial Institution at a higher rate of Interest given the credit rating of the Company. Considering the above factors the finance cost is higher for the company. Higher ticket size loans will have lower interest rate and lower interest rate loans will have higher interest rate.

**The loans being fully secured due to its marketability and enforceability the credit cost is kept upto 2%.

BUSINESS AND PERSONAL LOANS		
Factors Affecting Interest Rate Determination	Annualised Rate of Interest	
	Minimum	Maximum
	25.00%	29.00%
Finance costs	13.50%	14.50%
Employee benefit expenses*	4.00%	6.00%
Total Other Expenses	0.50%	0.50%
Credit Cost**	3.00%	5.00%
Total expenses	21.00%	26.00%
Gross margin	4.00%	3.00%
Tax Expense:	-	-
Current Tax	1.00%	0.75%
Net margin	3.00%	2.25%

*The loans granted are unsecured loans to individuals and the cost incurred by the company in case of

recovery of delinquent loans are comparatively higher.

** These loans are granted mostly to the individual customers and therefore sourcing cost for such loans is higher than the reduction cost.

The rate of interest for the same product and tenor availed during the same period by different customers' needs not to be standardized. The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management and/or changes to extraneous cost factors which has a say in the setting up of the interest rate.

E. RISK BASED GRADATION:

(i) For Gold Loans

Considering the nature of the loans (collateral valuation being vital) the major inherent risk is the Loan to Value (LTV) or Loan per Gram. Since a higher LTV translates to a higher risk it stands to reason that LTV and Interest rate should be correlated. Accordingly, assuming all other factors to be the same a higher LTV loan should attract a correspondingly higher interest rate as compared with a lower LTV loan.

(ii) For Other Loans

The Interest rate applicable to each loan account will be assessed based on multiple parameters like

- Detailed Customer profile, repayment capacity based on the cash flows, loan to value of the asset financed, type of collateral security provided and past repayment track record, external credit rating, etc.,
- Tenure of relationship with the customer, past repayment track record and historical performance customers,
- Interest, default risk in related business segment;
- Regulatory stipulations, if applicable;

The Company will communicate annualised Rate of Interest and annualised percentage rate to all its customers so that its customers are aware of exact rates that will be charged to respective loan facility. The interest could be charged on monthly or quarterly rests for different products / segments.

Rebate on interest for Gold Loans

Both the principal and the accrued interest on the loan are payable in full on the maturity date. While interest payments during the loan term are not mandatory, borrowers have the option to make interest payments at 30-day intervals or earlier. If the borrower chooses to make these regular interim interest payments, they will be eligible for an interest rebate in the form of a reduced interest rate.

F. PROCESSING / DOCUMENTATION AND OTHER CHARGES

The Processing Fee is charged by the Company basis the Loan Tenure. The Processing Fee currently charged by the Company is mentioned hereunder:

Loan Product	Minimum PF	Maximum PF
Gold Loan	1%	2%
Joint Liability Group Loans	1%	2%
LAP and Home Loans	2%	3%
Business Personal Loans	1%	2%

In addition to the interest on the loan and Processing Fee, the Company may collect the following charges, the quantum of which shall be as decided by the Board or Board level Committee from time to time.

For Gold Loans

The Security Charges, Insurance Charges, Token Charges, Auction Charges, Auction Notice Charges, Charges for lost tokens, Documentation charges, Stamp duty charges and any other charges as may be decided by the Committee.

For Other Loans

Besides interest, other financial charges like origination fees, cheque bouncing charges, re- scheduling charges, cheque swap charges, charges for issue of statement account etc., may be levied by the company wherever

considered necessary. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time as communicated to the borrowers in the documentation provided. Any revision in these charges would be have a prospective effect and will be communicated to them through various modes of communication such as website updation, email, letters, SMS, etc.

The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

G. PENAL CHARGES

Currently company does not charge any penal charges in case of payment after due date, however the penal charges may be levied to the borrower at the discretion of the lender and as communicated to the borrower. In case the company charges the penal charges it shall mention the charge for late repayment in bold in the loan agreement is in line with its board approved penal charge policy.

H. POLICIES AND PROCEDURES

The following other policies are also relevant for the purposes of this Interest Rate Policy:

Credit Policy – The Credit policy of the Company outlines the parameters and processes for credit appraisal, approval, risk guidelines and other credit principles and procedures of company. The Interest Rate Model described in this Interest Rate Policy is based on the philosophies set out under the Credit policy.

I. DISCLOSURE TO BORROWER:

The Company will provide the loan documents (i.e. loan agreements, sanction letters, along with all relevant enclosures) in vernacular language to its borrowers, as required under applicable Laws in relation to the loan provided.

This Policy will be made available on the website of the Company in accordance with the Company's Fair Practices Code and the guidelines of RBI.

J. REVIEW OF THE POLICY

Review of interest rates shall be periodically taken up by the Board or Board level Committee within the overall stipulations of the Interest Rate Policy approved by the Board of Directors. Committee shall have the authority to implement any other reasonable / justifiable charge from time to time. Discretion to waive / reduce the charges shall be vested with CEO.
