

POLICY FOR DETERMINATION OF INTEREST RATE AND OTHER CHARGES

Introduction:

Reserve Bank of India had vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 (‘Master Directions’) advised NBFCs to adopt an interest rate model taking into account various relevant factors and determine the rate of interest to be charged for loans and advances. The Master Directions further advised that the rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower/customer in the application form and communicated explicitly in the sanction letter. The Board is required to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges

Interest Rate Module/ schedule of charges:

The interest rates for each of the loan products, processing fee and other charges would be decided by the Board (including committee thereof) or Interest Rate committee from time to time.

Principles for determination of interest rate and other charges:

1. The interest rates would be based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, RBI policies on credit flow, offerings by competition, tenure of customer-relationship, market reputation of borrower, cost of disbursements, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning and employment, subventions and subsidies available, deviations permitted, ancillary business opportunities, future potential, group strength and value to lender group, nature and value of primary and secondary collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options etc. and reasonable returns to the shareholders.
2. The interest rate model shall provide guidance towards the charging interest rates to the Customers. With reference to the Company’s approach for gradations of risk and rationale, the rates of interest for the same product and same tenor availed during the same period by different customers could vary depending upon the combination of various factors such as borrower’s profile including age, number of dependents, residential stability, primary and secondary income, vintage and growth in business, nature and type of collateral security,

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past repayment track record, past association with the Company, credit score, loan to value etc.

3. The interest rates would be offered on a fixed and floating/ variable basis. The base Prime Lending Rate for the floating rates would be reviewed at periodic intervals.
4. Any changes in interest rates and charges shall be affected only prospectively.
5. Besides interest, other financial charges like processing fees, cheque/NACH bouncing charges, pre- payment charges, cheque swaps, Loan cancellation, Legal/ Collection/ repossession, charges on various other services like issuing duplicate No Due certificate/ NOC, etc. would be levied by the Company, wherever considered necessary.
6. In case deemed fit, the Company may consider a necessary moratorium for interest payment and repayment of principal with proper built in pricing.
7. The Company shall intimate the borrower the loan amount, annualized rate of interest and method of application thereof at the time of sanction of the loan along with the tenure and terms of repayment and the loan agreement. The Company shall display a schedule of charges/ penal charges on website of the Company.
8. The Company shall not charge prepayment charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers as per the extant RBI guidelines or adhere with such guidelines as may be issued by RBI from time to time.

The Company shall abide with all guidelines, directives, instructions and advice of RBI as will be in force from time to time. The contents of this document shall be read in conjunction with these guidelines, directives, instructions and advice. The Company will apply better practice so long as such practice does not conflict with or violate RBI regulations.

Any other regulatory changes in this regard will stand updated in the policy from time to time.

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