Interest Rate Policy

Preamble

The interest rate policy adopted by Vivriti Capital Private Limited ("Company" or "Vivriti Capital" or "VCPL") is considering directions of Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs amended from time to time (RBI Regulations). Company ensures fair practice and transparency to its customers therefore interest rates and the approach for risk premium are made available on website of the companies.

Interest Rate Model

The interest rate for credit facilities extended by Vivriti Capital is driven by the benchmark rate of Vivriti Capital plus the risk premium associated with the borrower / facility.

Interest rate to the borrower = Benchmark Rate + Risk premium

Benchmark Rate

Vivriti Capital's benchmark rate (VBR) for onward lending is based on Marginal Cost of Lending Rate (MCLR) concept a function of the following factors:

(i) Cost of Capital and Cost of Equity as well as Vivriti Capital's Capital Structure
(ii) Operating costs
(iii) Tenor Premium
(iv) Negative carry involved in maintaining liquidity

Risk Premium

The risk premium applicable to the borrower / facility is based on the following factors:

(i) **Industry risk**
   a. Asset quality, profitability, earning and funding volatility, competition, regulatory impact etc of the borrower's industry

(ii) **Business Risk**
   a. Asset quality, market position, resource profile etc of the borrower

(iii) **Management Risk**
   a. Corporate governance, integrity and competence of the promoters, track record of the management team, composition of the board etc.

(iv) **Financial Risk**
   a. Capital Structure, Profitability, Liquidity etc of the borrower

(v) **Product Premium**

a. Depends on nature and risk associate with the product

(vi) **Strength of the security/ collateral**

The range of Risk Premium will normally remain within range of 0%-10%, depending upon the above factors.

Co-lending Interest Rate model

In Co-lending/ BC arrangements VCPL shall have following commercials for the end customers:

a. Interest Rate
b. Processing Fees
c. Penal Interest & Charges

Wherever taxes and cess are applicable it shall be as per the applicable tax regime.

Interest Rate

The interest rate offered to the end customer in the Colending/ BC arrangement, is on fixed or floating and will be charged reducing balance method. The interest rate in the case of floating interest rate model shall be linked to a suitable benchmark rate disclosed in the sanction letter.

Interest rate could be charged at any frequency depending on the product/segment (daily EMI/ weekly/ fortnightly/ monthly/ quarterly/ semi-annually/ annually/ bullet). This shall be disclosed in the sanction letter.

Interest rate charged, is calculated taking into consideration a base portfolio rate for a given partner and borrower specific consideration over and above that. The rate offered to the borrower shall be a base portfolio rate or hurdle rate (VCPL base rate + a standard premium for a given partner) plus risk premium for a given customer. A range of rates for end borrower originated through a partner shall be decided by VCPL. The partners can provide rates to the customers within this range.

The partner portfolio specific considerations

(i) The weighted average cost of fund, and operational costs for VCPL

a. The average cost of funds is dependent upon the rate prevailing in the market. The average cost of funds for VCPL can range between 10-15% depending upon the marketing conditions.

(ii) A standard premium based on the aggregate partner portfolio

a. Additional premium would be based on the partner profile, asset class, business segment, product offered, geography operated, tenor, liquidity profile, capitalisation, lenders profile, governance structure, past track record, management strength, overall partners portfolio assessment and selection of the portfolio. The portfolio assessment include current NPAs and trend, expected credit loss, geography spread. Operational cost, estimated credit cost on the portfolio and margin.

b. A standard premium on a an aggregate basis for the partner portfolio can range between 5%-35%.

(iii) Risk premium based on the specific customer

a. End borrower interest rate include risk gradation of customer, credit and default risk, income profile, volatility in income, past track record, tenor of relationship with customer, subventions available, future potential, deviation permitted, nature and value of security offered, regulatory impact/risk

b. The risk premium for specific customers can range from 10-40%.

Interest rate charge for the same product and tenor availed during the same period by different customer need not be standardised. It could vary depending on different customers depending on consideration of above factors.

Processing Fees

All processing / documentation and other charges recovered are expressly stated in the Loan Agreement/Sanction. The processing charges takes into account loan amount financed, asset financed, geographical location, customer segment and generally represent the cost incurred in processing and onboarding a customer. This is usually mentioned as a fixed amount and for clarity may be mentioned the sanction letter as % of the total loan amount. The processing fee as a % of the loan amount can range between 0-5%. For smaller ticket sizes the processing fee may be alternatively mentioned as only flat amount which can be upto Rs 50,000.

Penal Interest & Charges

Penal interest shall refer to the penal interest charged to the end customers. This interest shall be charged on the number of days the amount is in overdues and the overdue amount.

Apart from the penal interest, there can be bounce charges/late payment charges/cheque swap charges/collection charges/recovery charges/legal charges. These charges are fixed in nature and may be applied for each default event.

These charges applied to the customer are on the basis of loan amount, type of customer segment, security/collateral offered, geography, type of asset class and can vary from partner to partner.

Interest in the Cooling off period

For the digital loans, a cooling off period will be offered. The customers shall have the option to prepay the loan paying a processing and an interest up to APR during the cooling off period.

Changes in the interest rate structure and range

The interest rate structure and range shall be changed on an annual basis or as and when required with the Board approval.

Index

Vivriti Capital may choose to extend fixed rate or floating rate loans to its borrowers.

If a floating rate loan is provided, the interest rate for floating loans will be represented as Index + margin with annual / semi-annual / quarterly resets of the Index.

The Index is a benchmark of Company's floating interest rate liabilities used to pass on any market interest rate movement to the assets of the Company. The Index will be published on the Company's website.

Applicability

The VBR based pricing framework is applicable on all credit facilities provided by the Company, including term loans, working capital loans, NCDs, PTCs, retail loans, as well as short term loans against receivables and inventory.

Normally, facilities in the nature of NCDs, PTCs, retail loans and short-term loans against receivables / inventory are fixed rate in nature.

Term loans provided to enterprise borrowers of the Company may be floating rate in nature. In such cases, the interest rate will be linked to the Index and a uniform margin over the Index will be applied over the tenure of the facility (subject to credit and legal conditions applicable to the facility).

Interest Rate Communication

(i) Facility details, amount sanctioned, annualised interest rate, tenure of the loan, additional interest or any additional charges will be shared in the sanction/facility letter
(ii) Vivriti Capital may levy additional charges for default/ delay in interest payment. Default interest rates will be clearly communicated in the sanction letter
(iii) Apart from these, there could be processing fees as well as documentation charges as well for a facility.
(iv) The applicable Index will be provided on Vivriti Capital's website

Points to note

(i) Interest rates offered could be on fixed rate basis or floating rate basis.
(ii) The rate of interest for the same product and tenor availed during same period by different customers need not be standardized.
(iii) The final lending rate applicable to each customer will be assessed based on various risk factors. In exceptional circumstances, based on risk perception, interest rates may fall outside the range indicated above.