# SINGHI CAPITAL FINANCE PRIVATE LIMITED

## INTEREST RATE POLICY

The company has carved a sensible and affordable interest rate policy within the letter and spirit of the Reserve Bank of India guidelines.

In terms of the Reserve Bank of India's (RBI's) notification No DNBS. 204/CGM(ASR)-2009, dated January 2, 2009, all NBFCs must document their approach to determining the rates of interest charged to customers for loans and advances.

The Board of Directors of Singhi Capital Finance Private Limited (from now on referred to as "Company" or "SCFPL") approved the Interest Rate Policy at its meeting.

Under any subsequent amendments or any statutory modifications or re-enactments in the above-stated guidelines/norms/clarifications or any other applicable acts/regulations, if there is any change in any of the parameter(s) framed by the Board, then the act/regulation will have an overriding effect on the parameter (s).

The interest rate charged to borrowers comprises the Base interest rate plus Risk Premium based on a gradation of risk, which also factors in the facility's tenure.

In an ever-changing interest rate scenario, where the Regulator manages inflation through interest rate monitoring, SCFPL shall also modify interest rates in accordance with the cost of funds.

The methodology for determining the Base Interest Rate and Risk premium is as follows:

### 1. Base interest rate

Benchmark Rate (BR) - The BR is the base lending rate without any risk premium. It is guided by the Company's cost of funds and other internal costs on the loan date.

The Company will have the option to change the BR prospectively depending on changes in the input factors by giving due notice of the same on its website or intimation to borrowers electronically. For this purpose, the Company will review the BR monthly or as warranted by market conditions.

## 2. Risk premium

The risk premium is determined after assessing risks related to the transaction and the borrower. Higher the perceived risks, the higher the premium.

Assessment of risks is done on the following parameters:

- Macroeconomic environment: The current economic scenario and political environment prevailing in the country
- The capacity of the borrower to repay: The capacity of the borrower to repay is judged on the following parameters:
- Performance of the industry in the given macroeconomic environment;
- Performance of the borrower vis-à-vis its peers;
- Borrower track record (in terms of management);
- Financial analysis of the borrower concerning its profitability, liquidity, solvency and gearing. The financial analysis includes a thorough analysis of the cash flow, obligations, and debt repayment capacity using the Debt-Service Coverage Ratio (DSCR) and sensitivity analysis of contingent liabilities.
- Information was gathered through published sources and informal networks.
- Quality of asset: The value vis-à-vis the loan amount and marketability of the asset financed.
- Risks associated with Project Finance: The risks associated with the projects and the mitigants, which include:
- Completion risk - Non-completion of the project due to inappropriate funding, experience, environmental factors, and construction contracts.
- Funding risk - Imbalance in the debt-equity ratio, uncovered foreign exchange obligations, cost escalations, inadequate contingency provisions.
- Operating and technology risk - Risk of obsolescence, lack of trained workforce.
- Market risk - Demand-related risks;
- Counterparty risks - Risks related to the counterparties involved in the project, including the sponsors, off taker and suppliers of raw material;
- Regulatory and political risks;
- Payment risk;
- Force Majeure risks.

- Basis and tenor: The basis of the loan, such as whether it is on a fixed interest rate or floating rate basis, as well as its tenure, also influence the assessment of risk premium load.
- Security: Risk premium is also based on the comprehensive security package, which may include hypothecation of the assets financed, security of project documents, any additional collateral as warranted, guarantees and post-dated cheques (PDCs)
- Structure: The structure of the transaction and payment mechanism also determines the associated risks. The weighted average life of the loan is also considered one of the parameters of risk.
- Payment mechanisms like escrow accounts backed by long-term contracts/take-or-pay agreements with strong off-takers carry lower risks than PDCs. It may be noted that the weightage applied to each of the parameters mentioned above may vary between transactions and also reflects our perception of the risk involved.

In certain exceptional cases where SCFPL can raise funds at lower costs due to the specific structure of the transaction, the benefit of the same may be passed on to the borrower.

The interest rates charged to clients are communicated in the sanction letter and incorporated in the loan agreements executed by the borrower.

The BR prevailing on the sanction letter date is also clearly mentioned in the terms and conditions communicated to the client. The rate of interest expressed in the sanction letters to clients is on an annualised basis.

The Company may give an interest-free loan with an option to convert the such loan into equity shares/debentures of the borrower company.

Interest rate to be charged to the fellow subsidiaries and other group companies in the S K SINGHI group:

It is notable that the Company has, so far, borrowed funds only from its promoters, S K Singhi & Family and their relatives.  SCFPL confirms that there are no external borrowings. Shareholders/ Promoters have agreed to lend money to the Company at a fixed rate, hereinafter to be known as the “base rate”, which is reset by them once in March every year.

The Board has decided that the base rate adopted by Shareholders/ Promoters shall also be the base rate for the Company, irrespective of whether the Company borrows from them or uses its owned funds for its lending activities.

It is also emphasised that the Company deals either with its group companies or the entities well known to the Company. It is essential to support the entities within the S K SINGHI Group and provide loans to the group companies for strategic or synergetic business purposes.

It may not be out of place to state that the exposure to group companies is fully reduced from the owned funds, as per RBI Directions, while calculating NOF, and therefore, its credit risk is, ab-initio, taken care of.

Given the above, the Board has decided that the loans to the group companies will be granted at a base rate, i.e. at a rate not more than the rate at which the Company would borrow from its Shareholders/ Promoters. There will be no markup for any purpose, including risk premium, as the risks are already mitigated in respect of group entities.

The Board has further decided that the Company will review its base rate as and when Shareholders/ Promoters cause a revision in their base rate.

It may be abundantly made clear that the interest rate in respect of other than group entities will be at a markup over the base rate for risk premium while considering other factors mentioned hereinabove.

Penal interest: If a borrower falls into delinquency, the Company will charge a penal interest of up to 2% to reflect the higher credit risk in the account.

The revised Interest Rate Policy shall come into effect from commencement of business under a particular product soon after its launch.