

## **XANDER FINANCE PRIVATE LIMITED (XFPL)**

### **INTEREST RATE POLICY**

**Date of review: Reviewed in the Board Meeting held on February 10, 2022**

#### **1. Preamble**

The objective of the Policy is to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges to be charged from the borrowers. Keeping in view the RBI Guidelines, the following internal guiding principles and interest rate model are therefore approved by the board of Xander Finance Private Limited (the “Company”).

This Interest Rate Policy is in compliance with the requirement of RBI to have a documented policy for interest rates being charged on loans disbursed by the Company and with the Fair Practice Code of the Company.

#### **2. Interest Rate Policy**

The client will be levied either a fixed interest rate or a floating interest rate or flexible interest rate. In case of a floating rate loan being offered to customers, the same shall be based on an internal benchmark rate plus a spread thereon.

Any revision in the benchmark rate shall become applicable for all customers, who have availed floating rate loans, from the effective date of such revision, and the same shall be communicated in writing to the customers.

The rate of interest on loans provided by XFPL would be a function of the state of liquidity in the market, tenor of the loan, cost of funds of XFPL, and internal credit evaluation of the borrower and transaction.

In case of flexible interest rate, the rate of interest on the facility shall be amended from time to time to match with the associated risk profile of the borrower/transaction over its tenor triggered through certain pre-defined milestones or operational/financial metrics such as sales volume, revenue, cash flow, profits, share price of the company on the stock exchanges, movement in the benchmark rate and so on.

The interest rate charged to the customer may be levied as a single rate of interest charged as coupon and payable at fixed time intervals or split into an upfront fee, regular coupon at fixed intervals and a coupon on redemption. The interest rate could be split into any combination of the aforesaid variables and will be agreed upon with the customer at the outset of the lending relationship.

The Company may charge a floating interest rate to its client linked to a benchmark rate (computed basis its cost of funds and other operating costs). The Benchmark rate would be revised on a quarterly basis, however the Company may in its sole discretion may change such benchmark rate on periodic basis.

### **3. Client grading criteria**

For the purpose of rating clients, an internal rating model shall be used. Based on the rating of the customer, a risk premium would be taken into consideration. However, the Credit Committee ('CC') shall have the discretion to:

1. Charge the interest rate either as fixed rate or a floating rate.
2. Change the interest rate suggested by the rating model based on their assessment of the risk profile of the borrower.

The factors used in the rating model are different for borrowers in the real estate sector (see Schedule I) from those used from other sectors (see Schedule II).

The KMPs and Credit team ratified by CC may change the grading criteria from time to time, as it deems fit based on market conditions. However, such change would need to be ratified by the Credit Committee.

### **4. Processing fees**

The Company may levy the processing fee on the clients for loans sanctioned across the product line on a case to case basis. Generally, this will be certain basis point (percentage point) of the sanctioned loan or disbursed loan. The Company may also levy commitment fees for making available a line of credit to the client, on a case to case basis. In cases where the Company decides to levy processing fees / commitment fees, the same should be agreed and accepted by the client whether in term sheet or any addendum document. Processing fee may also be charged at the time of renewal of the facility on a case to case basis.

### **5. Penal Interest Rate**

The client may be levied a penal interest rate as determined by the CC above the current interest rate, if the client does not repay the loan on the due date or as demanded by the Company or for any other reason that the Company might deem fit.

### **6. Compliance with RBI Regulations**

Current RBI regulations, as well as prudent and generally accepted business practices, will be the foundation for and will act as the guiding indicator.

**7. Review**

This policy needs to be reviewed by the Board of Directors on an annual basis. The recommendations/changes required to be made in this policy will be suggested by the Credit Committee.

**8. Adoption**

This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.

### **Schedule I – Rating a borrower in real estate sector**

Following factors are considered important while rating a borrower in real estate sector.

1. Loan-specific adjustments
  - Security cover/Loan-to-Value
  - Strength of security package
  - Tenure
  - Prepayment risk
2. Company strength
  - Market reputation
  - Past debt servicing record of the borrowing Company
  - Past debt servicing record of the group Company
  - Track record in the specific asset class
  - Other factors like top clients, quality superiority and certificates
3. Market conditions
  - Asset class dynamics
  - City demand-supply dynamics
  - Projected performance of the city
4. Promoters and management
  - Promoter in default list
  - Market Reputation
  - Experience and political affiliations
  - Key management
5. About the asset
  - Location strength
  - Approval stage
  - Sales and collection status
  - Past litigation / title issues
  - Other factors like Micro-market growth trends, access and infrastructure in the vicinity, product offering, Future risk of any approvals / grants etc., size of the project, launch status, construction status, contractor reputation, development complexities etc.
6. Relationship considerations
  - Expected future relationships
  - Past relationships with borrower / group companies / promoters

## **Schedule II – Rating a borrower in non-real estate sector**

Following factors are considered important while rating a borrower in non-real estate sector.

1. Loan-specific adjustments
  - Security cover/Loan-to-Value
  - Strength of security package
  - Tenure
  - Prepayment risk
2. Company strength
  - Market reputation
  - Past debt servicing record of the borrowing Company and the group Company
  - Debt / EBITDA
  - Operating cash flow/EBITDA
  - Sales and PAT record (last 3 years)
  - Other factors like top clients, product offering, customer diversification, quality superiority and certificates, geographical reach, external dependencies, market performance (if listed) etc.
3. Market conditions
  - Sector dynamics
  - Competition landscape
  - Strength of the consumer industry
  - Exposure to forex changes
4. Promoters and management
  - Promoter in default list
  - Market Reputation
  - Experience and political affiliations
  - Key management
5. Relationship considerations
  - Expected future relationships
  - Past relationships with borrower / group companies / promoters

<b>Particulars</b>	<b>Date of adoption/ review/ revision</b>
Adoption	8 <sup>th</sup> October 2013
Review	24 <sup>th</sup> March 2014
Review	24 <sup>th</sup> March 2015
Review	18 <sup>th</sup> March 2016
Review	28 <sup>th</sup> March 2017
Review	23 <sup>rd</sup> March 2018
Review	18 <sup>th</sup> March 2019
Review	11 <sup>th</sup> March 2020
Revision	23 <sup>rd</sup> March, 2021
Review	10 <sup>th</sup> February, 2022