WESTERN CAP

Interest Rate Policy and Gradation of Risks

Contents

1. Background

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide Its Guidelines on FPC for NBFCs DNBS.CC.PD.No.320/03.10.01/2012-13 dated February18, 2013 have directed all NBFCs to make available the rates of interest and the approach for gradation of risks on the website of the NBFCs. Accordingly presenting this approach forDetermining Interest Rates, Processing and Other Charges in order to ensure transparency to conform to the stipulations of RBI's directives, and shall be applicable till further notice. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001/ 2008-09 January 2, 2009.

2. Objective

To arrive at the benchmark rates to be used for different category of products, customer segments and to determine the principles and approach to decide on the benchmark rate, taking into account the cost and the spread to be charged, methodology to arrive at the final rates chargedfrom the customers.

3. Interest rate model

Western Capital Advisors Private Limited will be lending to various customer segments across retail and wholesale space. The lending will be done at fixed as well as floating rates. While for each of the products the rates charged will be as per the product offerings, customer segment, competition benchmarking etc, but the rates will be linked to the bench mark rate unless otherwise stated for some specific segments as mentioned in this policy.

4. Methodology

The bench mark rate will be arrived at after considering the following factors

Sr no.	Factor	Descriptions
1.	Weighted Avg Cost ofborrowing	Being an NBFC the company needs to borrow funds through term loans, Non-convertible debentures, Commercial Papers & subordinate debt etc. The weighted average costalong with the cost of raising such debts on an annual basis, is taken to calculate the benchmark
2.	Opex Cost	The cost of operations will be added for calculating the benchmark rate. It includes the employee cost, administrative cost, sales and marketing cost etc.
3.	Risk Premium	Base risk premium to cover business related risks
4.	Profit Margin	The minimum profit margin is taken to calculate the benchmark rate

The reference rate thus arrived shall be the reference rate called Western Capital Reference Rate.

Different products/businesses/verticals will use this as a reference rate and can decide on customer lending rate which would be linked to the reference rate mentioned herein, keeping the following other factors in mind:

Sr no.	Factor	Nature of lending, for example unsecured/secured
1.	Industry Trend and external conditions	Market benchmarking will also be kept in mind while arriving at this rate.
2.	Subvention	Any subvention received from a third party may be considered to decide on the rate
3.	Tenor of the loan	Depending on the tenor the rate may be charged. For higher tenor loans the rate could be higher
4.	Profile of the customers	The positioning of the product and the target customers and the risks associated with them will also be considered to decide on the rate at the programme level (risk gradation approach to be followed as explained in Section 7)

5. Interest Rates for the borrowers

The Interest Rates can be linked to Western Capital Reference Rate or to an external benchmark rate as may be agreed with the borrower. The ratesfor this segment can also be fixed as well as floating. They can also be fixed with the interest resetoption, in which case on the date of reset the company can change the rate as per the terms agreed with the borrower or can put a condition that it will be benchmarked at the prevailing Western Capital reference rate or the prevailing external benchmark rate as mentioned in this section.

6. Review and the change in the Reference Rate

The revision to reference rate would be decided on quarterly intervals and/or at shorter intervals if required, depending upon market volatility and cost to company or other relevant factors. ALCO committee shall be the authority to approve the change in the reference rate. **The current reference rate is 17%. Please refer Annexure 1 for the current indicative lending rates.**

7. Approach for Gradation of Risk

The lending rate to be charged from the customer/borrower will be derived from the rate fixed at the product level using Western Capital Reference Rate, by adjusting the same for the various factors mentioned below on a case-to-case basis. The lending rate at the borrower level will depend on the consideration of any or combination of a few or all the factors listed out here.

- Profile and the market reputation of the customer/borrower
- Tenure of the relationship with the customer/group

- Customer segment
- Inherent credit & default risk in the products
- Past payment track record of the customer/borrower if any
- Nature & value of the primary and secondary collateral
- Loan-to-value (LTV) ratio
- Group strength, repayment capacity based on the cash flow assessment of the customer
- Regulatory requirements if applicable
- Any other factor that may be relevant to the case

8. Other charges and Features:

- The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongstother things, the factors mentioned above.
- The Company shall disclose the rate of interest and basis of computation of rate in the application form and communicate explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made availableon the web-site of the company. The information published in the website or otherwisepublished would be updated whenever there is a change in the rates of interest.
- The interest rates offered could be on fixed basis or floating / variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility andcompetitor review.
- Annualized rate of interest would be intimated to the customer
- Besides normal interest, the company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues.
- The Company shall mention the penal interest in bold in the loan agreement.
- The interest re-set period for floating / variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates

- Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority.

- Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.

- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in theloan agreement. These charges would be decided upon, collectively by the managementof the Company.

- Claims for refund or waiver of such charges/ penal interest / additional interest would normally not be entertained by the company and it is the sole and absolute discretion ofthe company to deal with such requests.

- As per RBI circular no DNBS.CC.PD.No.399/03.10.42/2014-15 dated July 14, 2014 the company shall not charge prepayment charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

Annexure 1

Product	**Interest Type**	**Reference Rate**	**IndicateRate Range**
Wholesale/ Corporate Loans	Fixed/ Floating	**17%**	Up to 18%
Supply Chain Financing	Fixed/ Floating		Up to 18%
Education Finance	Fixed/ Floating		Up to 24%
Personal Loan	Fixed/ Floating		Up to 48%
Two-Wheeler Loan	Fixed/ Floating		Up to 26%
Home Loan	Fixed/ Floating		Up to 18%
Loan Against Property (LAP)	Fixed/ Floating		Up to 24%
Business Loan	Fixed/ Floating		Up to 28%