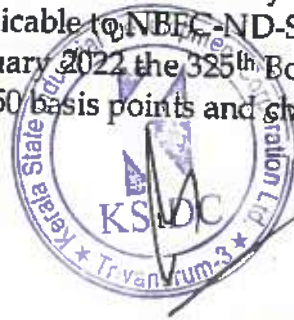


KSIDC LTD
Interest Rate Policy
December 2022

I. Background

- a) The Reserve Bank of India had issued the Master Circular - Fair Practices Code dated July 1, 2015 bearing reference number DNBS (PD) CC.No.054/03.10.119/2015-16 ("Master Circular"), which details guidelines on fair practices code to be adopted by all non-banking financial companies while doing lending business, which also includes provisions in relation to charging of interest rates by NBFCs.
- b) The RBI has further issued the Master Direction- Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (updated on September 29, 2022) and bearing reference number RBI/DNBR/2016-17/45, which Master Direction is applicable to *inter alia* every systemically important NBFC, and which contains requirements on fair practices codes to be adopted by all such NBFCs.
- c) Prior to October 2017, KSIDC was charging the fixed interest rates approved by the Board from time to time.
- d) Subsequently, the Board of KSIDC at its 306th Meeting held on 30th October 2017 has approved revision in the interest rate, and floating interest rates was introduced in KSIDC for the first time. The external benchmark rate chosen for this purpose was the Bank rate of RBI and KSIDC's interest rate was fixed at RBI rate plus 3%. The existing loanee units at that time were provided with the option of switching over from fixed interest rates to floating interest rates.
- e) In October 2020, on account of the borrowings availed from HDFC bank, KSIDC embarked on linking the interest rates to the borrowing rate. The borrowing rate at that time was 7.50%; with the margin fixed at 1.25%, the interest slab was fixed at 8.75% to 10.75%. The Corporation's first ever Interest rate policy was placed before the 319th Board of KSIDC held on 22nd October 2020 and the interest rate slab was fixed at 8.75% to 10.75%.
- f) RBI, in October 2021, issued a regulatory framework for NBFCs - Scale Based Approach. Under these guidelines, KSIDC falls under the Middle Level on account of the asset size being above Rs. 1000 crores. The SBR guidelines has specifically mentioned that NBFCs in the middle layer shall continue to follow regulations as currently applicable to NBFC-ND-SIs.
- g) Keeping in view of the industry scenario, in January 2022 the 325th Board of KSIDC decided to reduce the interest margin by 50 basis points and changed the interest rate slab to 8.25% to 10.25%.

II. Objective of the Policy



The main objective of the Interest rate policy is to ensure that the interest rates are determined in a transparent manner through a well-defined methodology so as to ensure long term sustainability of business by taking into account the interests of all stakeholders.

III. Present Scenario

At present KSIDC has floating rates as well as fixed interest rates. Loans linked to floating rates can be further categorized into RBI rate linked loans and borrowing rate linked loans. KSIDC over the years has also advanced financial assistance with fixed interest rates under various schemes announced by the Government of Kerala.

IV. Methodology

The main factors which contributed to the fixation of the proposed interest are:

- i. The Corporation has availed term loan facility from banks and hence the weighted average cost of borrowing of such funds is included in the bench mark calculation. Apart from the borrowed funds, KSIDC has also utilized its own funds to advance financial assistance and the cost of such equity is also taken into consideration.
- ii. The Opportunity cost considered for the calculation is the yield on 10-year Government of Kerala securities as reported by RBI periodically.
- iii. Accordingly, the weighted average cost of funds has been presently calculated at 7.75%. The spread proposed is 0.75%, thereby fixing the interest band at 8.50% to 10.50%.
- iv. Rate of Interest shall be reset every 6 months synchronized with the lending bank's rates, passed on the same date.
- v. All loan sanctions placed before the upcoming Board and financial assistance sanctioned thereafter shall carry the revised interest rates, i.e., the interest rates shall be directly linked to the interest band 8.50% to 10.50%.
- vi. It is also proposed to continue the practice of providing rebate of 0.5% on a half yearly basis to customers who are prompt in repayment and in standard category as per RBI asset classification. However, this may be withdrawn / modified by the Corporation from time to time, without any notice.
- vii. The loans currently linked to RBI rate and Borrowing rate shall be converged with the new rate once the interest policy is approved by the Board. For bringing uniformity and consistency in the change proposed, it is recommended that the interest rates may be made effective for existing loanee units w.e.f 1st January 2023.
- viii. The detailed working of the proposed interest rate is as follows:

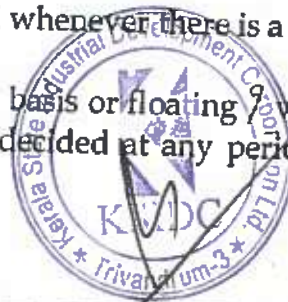


Particulars	Figures / Percentages
Loan outstanding as on 11/11/2022 (in lakhs)	82468.94
Borrowings as on 11/11/2022 (in lakhs)	24950.00
Own Funds (in lakhs)	57518.94
Cost of Borrowed Funds	7.45%
Cost of Own Funds	0.00%
Weighted Average Cost of Funds	2.25%
Cost of Funds at opportunity cost, i.e., yield on 10 year G-Sec as per RBI report	7.48%
Lending bank MCLR Reset Date 11.11.2022	8.40%
Weighted Average Cost of Funds	7.76%
Rounded to nearest 5 basis points	7.75%
Minimum Interest spread	0.75%
Base Rate	8.50%
Maximum Interest Spread	2.75%
Maximum Interest Rate	10.50%
Interest Band as per Internal Credit Rating (incremental risk premium 25 basis points)	8.50% - 10.50%
Prompt payment interest rebate of 0.5% will be given, thus effective rates	8% - 10%

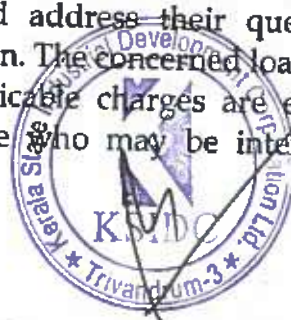
- There shall be no changes in the case of loans carrying fixed interest rates under various schemes.
- Loans under new schemes shall henceforth carry the revised rates, i.e., 8.50% to 10.50%.
- The interest shall be charged on a monthly basis.
- The interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate

V. Interest Rate Policy for Lending

- The Corporation shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the sanction letter and communicate explicitly in the loan sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the Corporation. The information published in the website 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 cost of funds, administrative overheads, market volatility and competitor review.
- iv. Annualized rate of interest would be intimated to the customer
 - v. Besides normal interest, the Corporation may levy additional interest for ad hoc facilities, penal interest for any delay or default in making payments of any dues. The levy or waiver of these additional or penal interests for different products or facilities would be decided within the limits prescribed under the policy.
 - vi. The Corporation shall mention the penal interest in bold in the loan agreement.
 - vii. The interest re-set period for floating / variable rate lending would be decided by the Corporation from time to time, applying the same decision criteria as considered for fixing of interest rates.
 - viii. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be decided at the time of sanction of a credit facility. Specific terms in this regard would be addressed through the relevant loan credit policy.
 - ix. Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the repayments towards principal dues would be made available to the customer.
 - x. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
 - xi. 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.
 - xii. 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 Corporation wherever considered necessary.
 - xiii. Besides the base charges, the Goods and Service Tax (GST) 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 shall be incorporated in the loan agreement. These charges shall be decided upon collectively by the management of the Corporation.
 - xiv. Interest rate models, base lending rate and other charges, and their periodic revisions are made available to all the customers through periodic updating of information published in website prior to entering into an agreement with customers. KSIDC may provide them with statement of charges and interest and address their queries and questions on the same, to their satisfaction. The concerned loan officers shall ensure rates of interest and applicable charges are explained clearly and transparently to the people who may be interested in availing assistance.



- xv. In case of staggered disbursements, the rates of interest would be interest rates according to the prevailing rate at the time of successive disbursements or as may be decided by the Corporation.
- xvi. Claims for refund or waiver of such charges/ penal interest / additional interest would not be entertained by the Corporation and it is the sole and absolute discretion of the Corporation to deal with such requests on merit.
- xvii. All other regulatory changes in this regard will stand updated in the policy from time to time.

VI. General

1. The following provisions shall apply to loans extended by the Corporation:

- a) **Changes in Terms** - The Corporation shall give notice to the borrower in English language with an option to choose Malayalam of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. Further, any changes in the rate of interest shall be affected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Corporation.
- b) **No Grace Period** - Interest will be payable by the customer / borrower on or before the due date stipulated there for in the loan agreement entered into by the customer / borrower with the Corporation. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same or the Sanctioning Authority agrees to provide such grace period to the customer / borrower, in writing.
- c) **Moratorium for Principal Repayment** - Maximum moratorium shall be three years, from the date of first disbursement of loan or two years from the date of commercial operation, whichever is earlier. If required a higher moratorium could also be provided.
- d) **Repayment Period:** (1) Generally the repayment period shall be 6 years after moratorium. However, in select cases up to 12 years is given. (2) In general, the principal repayment is in equal quarterly or monthly installments. Staggered payment may also be considered (i.e., lower amount during initial period and progressively increasing) in appropriate cases.
- e) **Additional Interest and other Charges** - Besides the normal interest, the Corporation may also levy additional interest in the form of penal interest at a rate of 2% for any delay or default in payment of dues by the customer / borrower or additional interest on other facilities etc. The Corporation may also levy other financial charges including processing fees, upfront fees, cheque bouncing charges, prepayment / foreclosure charges, RTGS or such other remittance charges,



commitment fees, charges for services like issuance of "no due certificate", security swap charges etc. The quantum of these additional rates of interest / financial charges will be determined by the respective functional / product heads of the Corporation and communicated to the customer in writing. While determining the quantum of these additional rates of interest / financial charges, market practices will be taken into consideration.

f) **Communication of Interest Rate to the Customer** - The Corporation shall convey in writing to the borrower in English language or Malayalam by means of a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower. The loan agreement shall expressly stipulate the penal interest chargeable for late payment / repayment of dues by the borrower, in bold. The apportionment of the principal and interest will also be communicated by the Corporation to the customer / borrower by way of the repayment schedule.

g) **Waiver of Additional Interest/ Financial Charges** - Requests by the customer for waiver of additional interest / financial charges would normally not be entertained by the Corporation and such waiver will be at sole and absolute discretion of the Corporation, exercised on a case-to-case basis.

h) **Annualized Rates** - The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

i) **Rebate** - Rebate at the rate of 0.5% shall be provided to customers who are prompt, i.e., loans under Standard Category in their payments at the half year end periodically. However, this may be withdrawn / modified by the Corporation from time to time, without any notice.

j) **Pre-Payment** - Pre-payment options shall be made available to the customer and the penalty payable for exercise of such option shall be specifically communicated to the customer.

VII. Corporation Website

This Interest Rate Policy shall be made available on the Corporation's website, or in the alternate, published in the relevant newspapers. Such information published on the Corporation's website or otherwise published shall be updated whenever there is a change in the rates of interest.

VIII. Amendments to the Interest Rate Policy

Amendments to this Interest Rate Policy will not be effective, unless amendments have been approved and authorized by the Board of Directors



of the Corporation (or any Committee of the Board of directors of the Corporation duly authorized in this behalf).

The Corporation shall abide by this Interest Rate Policy following the spirit of the Interest Rate Policy and in the manner, it may be applicable to its business.

The Interest Rate Policy shall be reviewed on a yearly basis or as and when required.

