

# **POLICY FOR DETERMINING INTEREST RATES AND PROCESSING AND OTHER CHARGES**

**Edelweiss Finance & Investments Limited**

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Adopted in the Board Meeting held on:

June 5, 2007

Last reviewed in the Board Meeting held on:

July 03, 2020

**Policy for determining Interest Rates and Processing and other charges**

As stipulated by the Reserve Bank of India (RBI), the Board of Directors of Edelweiss Finance & Investments Limited (EFIL) in their meeting held on June 5, 2007 had laid down the policy for determining Interest Rates, Processing and other charges.

The said policy has been reviewed and revised in the light of RBI circular Ref. No. RBI/2008-09/337/DNBS(PD)/CC. No. 133/03.10.001/2008-09 dated January 2, 2009 and is as under:

**Prime Lending Rate**

The Company will have its own prime lending rate known as “**EFIL Prime Lending Rate**” (“**EFILPLR**”). The Operations Committee of the Board of Directors of the Company (Operations Committee) will determine EFILPLR on the basis of the cost of borrowing, operating cost, return on equity, spread, liquidity, and interest rate trends and will use the basic formula provided at the end of this documents for calculating EFILPLR. The Operations Committee may review and improve upon the formula from time to time. The Operations Committee will also review EFILPLR periodically and revise or modify the same, if required. EFILPLR will act as the reference interest rate for EFIL.

**Interest Rate**

The interest rate will be determined/fixed by the sanctioning authority keeping in view the current EFILPLR, nature and duration of loan, nature and liquidity of security, credit worthiness and track record of the borrower, risk perception and negotiations with the borrower.

All the loans where rate of interest is linked to EFILPLR and having maturity period of above six months will generally provide for reset of interest rate. The sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing EFILPLR.

In the negotiated deals, the Operations Committee/sanctioning authority may agree to link the interest rate to Prime Lending Rate of agreed Schedule Bank or to MIBOR or some other reference rate.

**Processing Fee/Upfront Fee**

Processing fee will be determined by the sanctioning authority on the basis of the quantum of work involved in credit appraisal, volume of documentation involved, other expenses involved in the transaction and negotiation with client. The Operations Committee may from time to time review the guidelines for charging processing fee or prescribe fixed processing or modify the fixed processing fee, if any. The sanctioning authority will have power to waive the processing fee on case to case basis

| <b>Calculation of EFILPLR (For Incremental Loan on a Base Amount of INR 100)</b> |                                                                                                                                              |  |  |               |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--|--|---------------|
|                                                                                  |                                                                                                                                              |  |  | Fig in<br>INR |
| A                                                                                | Fund Requirement for Loan Amount of INR 100                                                                                                  |  |  |               |
| a.1                                                                              | Loan Amount                                                                                                                                  |  |  |               |
| a.2                                                                              | RBI Capital Adequacy Requirement (CRAR)<br>Current : 15%;                                                                                    |  |  |               |
| B                                                                                | Funding Composition                                                                                                                          |  |  |               |
| b.1                                                                              | Own Capital                                                                                                                                  |  |  |               |
| b.2                                                                              | Borrowed Funds                                                                                                                               |  |  |               |
| C                                                                                | Funding Cost                                                                                                                                 |  |  |               |
| c.1                                                                              | Cost of Own Capital<br>(Assumed flat rate of 12%)                                                                                            |  |  |               |
| c.2                                                                              | Borrowing Cost<br>(Weighted Rate for last 6 months + 200 Basis point spread)                                                                 |  |  |               |
| D                                                                                | General Provisioning for Standard Assets                                                                                                     |  |  |               |
| E                                                                                | Risk Margin<br>(Taken at 400 Basis point due to Business Risk, High Leverage, Concentration of Collateral & ability to liquidate collateral) |  |  |               |
|                                                                                  |                                                                                                                                              |  |  |               |
| <b>EFIL Prime Lending Rate (EFILPLR)</b>                                         |                                                                                                                                              |  |  |               |