

1. Introduction

Kuhoo Finance Private Limited (the “Company”) is registered with RBI as a Base Layer NBFC. The company is primarily engaged in the retail lending activities primarily in the segment of student education.

As per the company’s strategy, its target markets are primarily students and its lending products include education loan for tuition fees and living expenses and other education related expenses, etc.. For smooth functioning of its lending activity the company understands the requirement to adhere with RBI guidelines issued from time to time.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions [“RBI Regulations”] issued in this regard

2. OBJECTIVES

The objective of framing this policy is to ensure that interest rates charged to the customers does not exceed beyond a level that is not conforming to normal practice prevailing in the Financial Market. This policy is formulated to ensure transparency, in conformity with the stipulations of the Reserve Bank of India’s [“RBI”] directives.

3. COMPANY’S POLICY FOR DETERMINATION OF INTEREST RATE

The Company has its own model for arriving at a range of interest rate rates taking into consideration, among other things, company’s weighted average cost of funds, unallocable overheads and other administrative costs which is further adjusted for ALM mismatch, client profile and / or sensitivity of business. The weighted average cost of funds is computed taking into account the cost of the Company’s aggregate borrowings at the month end time from various sources such as consortium and other bank lines, debentures (if any) etc and the owned funds invested in the business. The base rate however does not include expected return on assets as it varies amongst different lines of the Company’s businesses.

In case, the company introduces different products, the rate of interest for loans for various business segments and various schemes thereunder is arrived at through the Company’s base rate model, cost on account of risk and tenor premium for the concerned business segment, business specific operating cost and margin is added to arrive at the lending rate.

Interest Rate to be charged to a customer will be broadly determined on the basis of the following (not exhaustive list):

- Cost of funds
- Risk Profile of the borrower
- Ticket size and Nature of Loan
- Interest rate prevailing in the industry
- Margin and Risk premium charged for different categories
- Securities offered and the type and risks attached thereto

- Duration of loan (tenure of customer relationship)
- The category of the borrowers
- Course/University/Country of studies opted by the borrower
- The earning source of the borrower including future employment
- The nature and regularity of income of the borrower
- Gradation of risks, which are to be documented
- RBI policies on credit flow
- Market dynamics
- Practices followed by other competitors

Such information is gathered based on information provided by the borrower, credit reports, market intelligence, information gathered by field inspection (if any) of the borrower's premises and internal analytical benchmarking or a combination of one or more of such methods. The company may, based on the market dynamics, decide on the suitable parameters for determining rate of interest from time to time.

The interest rate to be charged to the borrower for the loans will be decided keeping in view the RBI's guidelines relating to regulation of excessive interest charged by NBFCs and shall be disclosed in the Key Fact Statement (KFS) / Sanction letter and Loan agreement.

The rate of interest and any penal charges for default must be clearly disclosed to the borrower in the Key Fact Statement (KFS), sanction letter, and loan agreement. These details should be prominently highlighted in bold and presented as an annualized rate.

The interest rates for each loan product will be determined by the committee or authority authorized by the Board of Directors .

4. INFORMATION TO CUSTOMERS:

- 4.1. The rate of interest for the same product and tenor availed during the same period by different borrowers need not be uniform. It could vary for different products for the same or different borrower or for the same borrower at different times.
- 4.2. Depending upon the product type, the interest rates could be offered on fixed rate ,and floating rate
- 4.3. The Fixed rate is further categorised under Fixed Reducing Rate and Fixed Non-Reducing Rate (Flat Rate) type.
- 4.4. The interest re-set period shall be as stated in Loan Agreement and shall be applicable from prospective basis.

- 4.5. Interest is to be calculated on the amount utilized by the borrower and not merely on the sanctioned limit. However, it does not limit the Company to charge reasonable, pre-agreed fees for unused amounts.
- 4.6. Interest on credit balances lying in the borrowers account shall be payable as per the terms of the Loan Agreement
- 4.7. The company's rationale for charging different rate of interest to different categories of borrowers depending upon consideration of any or combination of a few or all factors listed above shall be disclosed to the borrowers or customer in the application form and communicated explicitly in the sanction letter. The annualized rate of interest and approach for gradation of risks shall be intimated to the borrowers. Approach for gradation of risks would be displayed on website / FAQs.
- 4.8. Change/Update in the rate of interest or important changes in the policy shall be published on the website, application (if possible) and communicated to the borrowers before implementing changes in rates.
- 4.9. Interest Rates would be intimated to the customers at the time of sanction/availing of the loan and the repayment terms or the MI apportionment (if any) towards interest and principal dues would be made available to the customers.
- 4.10. Besides normal interest, the Company may levy penal charges as may be prescribed in the KFS / Sanction Letter / Loan Agreement for default in material terms and conditions of the loan agreement.
- 4.11. The base charges, Goods & Service Tax and other Cess would be collected at applicable rates from time to time. Any revision would be from prospective effect.
- 4.12. No claims for refund or waiver of such penal charge would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.
- 4.13. The Directions issued by the Reserve Bank of India shall bear a superseding effect on this policy, wherever inconsistent.

5. EXCEPTION HANDLING

The policy shall always be updated with extant regulatory provisions. However, in case of conflict between the Policy and regulations, the regulatory provisions shall always supersede the policy.

The updated policy shall be always adhered to and exceptions if any to the policy shall be approved by the board of directors after recording a reason in writing.