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## Interest Rate Policy

Reserve Bank of India vide its Master Direction DNBR.PD.007/03.10.119/2016-17 as amended have directed all NBFCs to:

- Communicate the annualized rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them. The Interest rate model is also required to be made available on the website of the Company so as to enable the customers to understand the logic and methodology of the lending rates charged to them.

### Interest Rate Model

The interest rate for credit facilities extended by Vaibhav Vyapaar Private Limited is driven by benchmark rate of Vaibhav Vyapaar plus the risk premium associated with the borrower/facility.

### Benchmark Rate

Vaibhav Vyapaar benchmark rate for onward lending is based on Marginal Cost of Lending Rate (MCLR) concept a function of the following factors:

- a. Cost of Capital and cost of Equity as well as Vaibhav Vyapaar's Capital Structure.
- b. Operating costs.
- c. Tenor premium.

### Risk Premium

The risk premium applicable to the borrower/facility is based on the following factors:

- a. **Industry risk-** Asset quality, profitability, earning and funding volatility, competition.
- b. **Business risk-** Asset quality, market position, resource profile etc of the borrower.
- c. **Financial risk-** Capital Structure, Profitability, Liquidity etc of the borrower.

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- d. **Product premium-** Depends on nature and risk associate with the product.
- e. **Strength of the security/ collateral-** The range of Risk Premium will normally remain within range of 8-12%, depending upon the above factors.

## Approach for Risk Gradation

The Company grants credit facilities only to those customers who it believes have both the intention and the ability to discharge their obligations.

1. To execute smooth underwriting process the Company carries out different processes as per Know Your Customer guidelines and allocates credit grade for each customer.
2. When assessing credit transactions, the Company focuses on critical principles like history of the Borrower, Financial Leverage, Liquidity and Sources of Cash, education and stability and Profitability of Operations.
3. The determination of a customer's credit grading is generally distinguished by the asset type and its use and is mostly based on four general categories, Character, Capacity, Capital and Collateral.

## Applicability

Depending on the product the interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method. In case of flat interest rate, the appropriate disclosure required as per regulation shall be made to the customer. The interest could be charged on daily or monthly or such other periodicity as may decide by the management, the details of which would be communicated to Customer in the Sanction Letter and Loan Agreement.

## Interest rate communication

Interest rates would be intimated to the customers at the time of sanction / availing of the loan.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management and/or changes to extraneous cost factors which affects the setting up of the interest rate.

The Company will mention penal interest charged for late repayment in bold in the loan agreement.

In case of the change in interest rate or charges for the customer, the same shall be informed to the customer.

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## Handling complaints on High interest rate, Penalty Charges or any other charges

VVPL maintains 100% transparency with its customers on interest rate, penalty charges or any other service charges while availing loans. The sanction letter as well as loan agreement will provide complete details with a clear disclaimer on “hidden charges”. In spite of Our Policies and commitment towards our fair practices, the customers are free to report or submit any complaints on this matter for which all our customer support channels are open.

In case of any complaints on interest rate or penalty charges or any other service charges, a thorough analysis will be carried out by considering the customer profile and initiate following steps.

- The Grievance officer would reach out to the customers, understand the concern and get complete information. Based on the nature of complaint or concern, the following actions will be initiated.
- The Grievance Officer would first assess whether actual numbers are in sync with what we promised in written (loan sanction letter or loan agreement) and identify any mistakes or errors in the system itself. If yes, the issue would be escalated to the senior management to fix it without any delay and necessary corrective actions will be initiated for all affected customer.
- The Grievance Officer would validate the past records including the customer’s complaint history and credit bureau reports to understand whether we got repeat complaints from the same customer in his/her previous loans.
- If the issue is related to the wrong interpretation of the customer, it would be explained to the customer in an easy manner by using the customer's local language.
- If the customer is seeking some kind of relief, the Grievance officer would give a waiver on penalty and interest to an extent of 100%. However, the % of waiver depends on the socio-economic conditions of the customer such as unemployment, ill-health, bereavement within the family etc., for which documentation proof may be sought.
- If the family members of a customer report the unfortunate demise of the customer who has availed the loan, the Grievance officer will initiate the write-off process by validating the death certificate or any other relevant proof obtained by relatives from government agencies.

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