



CENTRUM FINANCIAL SERVICES LIMITED

INTEREST RATE MODEL

Version 2.0

Version	Approved By	Date of Approval	Description of changes, if any
2.0	Board of Directors	October 25, 2024	--

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Background

This interest rate model is adopted to set out the basis for pricing of credit facilities offered by the Company. The Company is currently a Core Investment Company ("CIC") and is scheduled to transition to a non-operative financial holding company ("NOFHC") subject to approval of the Reserve Bank of India. The Core function of the company is to invest and/or offer credit facilities to group companies only. Most of the loans are in the form of inter-corporate loans (typically for a tenor of up- to one year).

Interest Rate

The interest rate offered shall be based on weighted average cost of funds, liquidity costs, Administrative costs, risk premium and targeted spreads. ALCO shall review it periodically and set indicative rates of lending before factoring in specific risks and spreads.

- **Weighted average cost of funds:** This would include the cost of borrowings and cost of equity to the extent equity is available to lend. Borrowings would include funds raised through issue of debentures, intercorporate deposits / intercorporate loans etc. Reasonable liquidity costs may be factored into the cost of funds
- **Risk:** Risks are intra-group risks only and are contained. For most cases, it would be short term working capital. For cases where end-use is for early stage viability gap funding of subsidiaries or asset backed loans, risk assessment maybe used to determine risk premium.
- **Administrative costs:** A reasonable proportion of administrative costs may be factored into the rates,
- **Tenor / Type of loan:** Typically Demand loans would have monthly rests and working capital term loans would have quarterly rests. Long term loans (loans with tenor more than 1 year) may be assessed for additional spreads for term.
- **Rate reset:** Typically the Company would offer facilities which provide for reset of interest rate on a quarterly basis.
- **Margin:** A typical profit margin of 0.5% - 1.5% shall be considered to arrive at the lending rate.

Communication:

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