A. K. Capital Finance Limited ("AKCFL")

POLICY TO REFUND/ADJUST THE 'INTEREST ON INTEREST'

A. K. Capital Finance Limited (hereinafter referred to as "the Company" or "AKCFL" or "Lender") is a Public Limited Company registered under the provisions of the Companies Act, 2013 and registered as a non-deposit accepting Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India ("RBI").

The RBI vide its circular no. RBI/2021-22/17DOR.STR.REC.4/21.04.048/2021-22 dated April 07, 2021 advised to lace a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021.

Further, RBI advised that above judgement is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions.

Further, IBA formed a committee of CFOs/representatives of some institutions including banks, FIs, NBFCs, FICCI, ICAI. Representatives of the credit card industry were also invited. The committee met twice on 9th April 2021, and deliberated on suggestions of participating members. After detailed deliberations broad consensus was arrived at the uniform methodology to be adopted for refund of interest on interest/compound interest/penal interest. The suggestions of the committee on uniform methodology were also deliberated in Management Committee in its meeting on 16th April 2021 and approved. The uniform methodology finalised for refund/adjustment as per supreme court judgement is given in Annexure 1 of the circular no. CIB/ADV/MBR/9833 dated April 09, 2021

1. OBJECTIVES OF THE POLICY:

The objective of this policy is to adopt uniform methodology finalised for refund/adjustment as per Supreme Court judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021.

2. ELIGIBLE ACCOUNTS:

Borrower accounts which were standard as on 29.02.2020 including SMA-0, SMA-1 and SMA-2 will be eligible for the refund:

Aggregate fund based outstanding from all lenders of Rs.2 Crs. and above where compound interest/interest on interest/ penal interest for nonpayment/delayed payment was applied during moratorium.	All loan / working capital / trade products which had outstanding during the moratorium period shall be considered.
Aggregate fund based outstanding of less than Rs.2 Crs from all lenders where compound interest/interest on interest/penal interest for nonpayment/delayed payment was applied during moratorium and refund not provided under the Ex-gratia scheme due to whatever reasons.	Account eligible for refund only if compound interest/interest on interest/penal interest as been applied during the moratorium. Refund to be provided irrespective of whether moratorium was availed or not.

3. INELIGIBLE ACCOUNTS:

1. NPA Accounts as on 29.02.2021 (presumption being no interest or no compound interest is changed in case of NPA	Accounts where compounding interest/interest on interest/ penal interest for non-payment/ delayed payment has not been

accounts)	applied during the moratorium will not be eligible for refund of interest. However, in case of accounts with simple interest, "if simple interest was capitalized on monthly or quarterly basis during the moratorium period, resultant interest on interest during the moratorium period shall be refunded"
2. Accounts with aggregate outstanding of less than Rs.2 Crs from all lenders where refund has already been afforded under the Exgratia scheme.	
3. A/cs with simple interest as per contract where compounding has not happened.	
4. Non-funded facilities not eligible for refund.	

4. **CALCULATION METHOD:**

I. Daily outstanding balance to be reckoned for calculation of interest.

II. Enhancement / fresh limits sanctioned and disbursed/reduction in limits subsequent to reference date, i.e., 29.02.2020 and before 31.08.2020 will be reckoned for calculation of interest.

III. Repayments of interest and instalments in DL / TL accounts of borrowers during the moratorium period shall be considered for working out the difference between simple and compound interest.

IV. Normal changes in the contractual interest rate due to changes in the underlying reference rate like MCLR, Base Rate etc. will be reckoned while calculating the interest.

V. Any penal interest rate on account of delay/non-payment of instalments/ interest applied in a facility shall be excluded while calculating the outstanding balance as it is to be refunded.

5. ACCOUNTS CLOSED DURING MORATORIUM PERIOD:

Interest on closed accounts will be calculated upto one day prior to the closure date.

6. INTEREST CERTIFICATE FOR TAX PURPOSE:

The interest amount refunded relating to year 2020-21 to be reduced from the overall interest recovered in the account while giving the interest certificate as the actual reversal will happen only in the next financial year.

7. MISCELLANEOUS:

(i) Effective Date: This Policy shall be effective from the date of approval of this Policy by the Board.

(ii) Review of policy: The Policy shall be reviewed as and when required by the applicable rules and regulations.

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Reviewed on 11-May-2024