

INTEREST RATE POLICY

Approved by:- Board of Directors

Policy Review Cycle:-Annual

Date of Review:- _____

Preface

All the Guidelines by (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** as amended from time to time (RBI Regulations), to be adopted by all Non-banking financial Company (NBFCs), while doing lending business either personal loan or others, which also include provisions in relation to charging of interest rates by NBFCs. All NBFCs shall adopt an interest rate model taking into account relevant factors.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to borrower or customers and communicated explicitly in the sanction letter. The rate of interest and the approach for gradation of risk shall also be made available on the website of the companies. The information published on the website or otherwise shall be updated as and when there is a change in the rates of interest

I. Interest Rate Model

The business model of Usha Financial Services Limited (UFSL) focuses on providing credit only to customers meeting the credit standards of UFSL for varying tenors. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

- a) **Tenor of the Loan & Payment Terms** - term of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment, back ended payment schedule, zero coupon structured loans, etc.
- b) **Internal and External Costs of Funds** - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c) **Internal cost loading** – the costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer.

- d) Credit Risk** - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.
- e) Structuring Premium-** A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral, or other aspects of transaction structure.
- f) Margin:** A markup to reflect other costs/overheads to be charged to the loan and our designed margin.
- g) Board View & Market Dynamics:** Views of the Board of Directors on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products/services shall be taken into consideration. The forecasts and analysis of ‘what if’ scenarios’ conducted by the Board of Directors are also relevant factors for determining interest rates to be charged.
- h) Other Factors** – Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

II. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed *inter-alia* based on the following factors:

- a. Profile and market reputation of the borrower,
- b. Inherent nature of the product, type/nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed.
- c. Tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients.
- d. Group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment.
- e. Nature and value of primary and secondary collateral/security,
- f. Type of asset being financed, end use of the loan represented by the underlying asset,
- g. Interest, default risk in related business segment,
- h. Regulatory stipulations, if applicable,
- i. and any other factors that may be relevant in a particular case.

III. Rate of Interest:

- a) Interest rates offered could be on fixed rate basis or floating/variable rate basis.
- b) In case of floating/variable interest rates, the interest rates will be linked to UFSL-PLR or to a market linked transparent benchmark, including reference rate of our bankers as maybe agreed with the borrower.
- c) The company shall charge interest from the date of actual disbursement of the funds to the customer.
- d) In the case of disbursal or repayment of loans during the course of the month the company shall charge only for the period for which the loan was outstanding.

IV. Other Provisions:

- a) The UFSL-PLR is an estimation of a benchmark interest rate approved by the Board of Directors of the Company, from time to time. The UFSL-PLR will be reviewed periodically by the Board of Directors. The estimation and the methodology for calculating the UFSL-PLR may be changed at any time with the approval of the Board of Directors. Please refer Annexure A for Current UFSL-PLR.
- b) The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.
- c) Loan amount, Annualized Rate of Interest/Annualized Percentage Rate (APR), Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower/customer.
- d) Besides normal Rate of Interest, the Company may levy other fees and charges like penal /default Charges interest for any delay or default in making payments of any dues or for default of other terms & conditions. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and communicated in the sanction letter.
- e) Besides Rate of Interest, other financial charges like processing charges, cheque bouncing charges, pre-payment/foreclosure charges, documentation charges part disbursement charges, Repayment mode swap/cheque swaps, cash handling charges, RTGS/other remittance charges, commitment fees, Loan cancellation charges, Follow up charges, Penal charges for various defaults of Terms & Conditions like non creation of security, not providing statement, etc charges on various other services like issuing No Due Certificates, NOC, letters ceding charge on assets/security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

- f)** These charges would be proposed by the respective Credit Team(s) of different Segment of the Company's business and decided in consultation with the Credit Team with the approval by the Board of Directors.
- g)** Legal charges like, Stamp duty, Service Tax other cess would be collected at applicable rates from time to time.
- h)** The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the management's perceived risk on a case to case basis.
- i)** Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review and shall be updated on the website or otherwise.
- j)** Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect only.
- k)** The interest re-set period for floating/variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- l)** In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.
- m)** Claims for refund or waiver of charges/penal charges etc. would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.
- n)** The Policy shall be reviewed at such intervals as the Company may deem necessary unless statutorily otherwise required. Any other regulatory changes in this regard will stand updated in the policy from time to time.

Annexure A:

Product	Interest Type	Indicative Rate Range	UFSL-PLR
Loans to NBFC/Corporate	Fixed/Floating	Up to 26%	17%
MSME	Fixed	Up to 36%	NA
Personal loans	Fixed	Up to 36%	NA
Electric Vehicle	Fixed	Up to 18%	NA