UNNATTI FINSERV PRIVATE LIMITED (UFPL)

Interest Rate Policy

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Contents

Background 3
I. Interest Rate Model 3
II. Approach for Gradation of Risk 4
1. Rate of Interest 4
2. Processing/Documentation and Other Charges 6
3. Disclosure 7
4. Applicability 7
5. Review & Amendments 8

Background

Unnatti Finserv Private Limited (hereafter referred to as 'the UFPL'/ 'the Company') is a private limited company incorporated under the provisions of the Companies Act, 1956 and is a Reserve Bank of India (RBI) registered Systemically Important Non-Deposit Accepting or Holding Non-Banking Financial Company ("NBFC-NDSI"). The Company has become a "Systemically Important" Non- Deposit Accepting or Holding Non-Banking Financial Company effective from September 01, 2018.

The Reserve Bank of India (RBI) vide its Notification No. DNBS.PD/ CC. No. 95 /03.05.002/200607 dated May 24, 2007, DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and the Master Direction Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time ("RBI Regulations"), has directed all NBFCs inter alia to adopt interest rate model and make available the rates of interest and the approach for gradation of risk on website of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by UFPL, UFPL 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.

I. Interest Rate Model

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) Company's cost of fund: The rate at which the funds required to provide loan facilities to customers are sourced by the Company normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity, operating cost etc. are taken into consideration.
b) Market rate/practice: Views of the Asset Liability Management Committee ("ALCO") on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration.
c) A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
d) 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.
e) 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.

f) Security cover including valuation and collateral: 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.
g) 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.
h) The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.

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

1. Rate of Interest

a) Interest rates offered could be on a fixed rate basis or floating / variable rate basis depending upon transaction / product structure.
b) The Unnatti Prime Lending Rate ("Unnatti-PLR") is an estimation of a benchmark interest rate approved by the UFPL, from time to time. The Unnatti-PLR will be reviewed periodically by the UFPL. The estimation and the methodology for calculating the Unnatti-PLR may be changed at any time by UFPL as per market condition and views of ALCO.
c) At present, the annualized rate of interest* to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

The below interest rates are applicable from 01st April 2021"

Name of Loan Product	Minimum Interest Rate (%)	Maximum Interest Rate (%)	Weighted Average Lending Rate (%)
Micro Enterprise Loan / Pragati Loan	26.00%	34.00%	28.25%
Gold Loan	18.00%	22.00%	20.00%

* in exceptional circumstances, based on risk perception or other factors, this may fall outside the indicated range which shall be approved through delegated authority as provided by the Company in this regard.

d) In case of floating / variable interest rates, the interest rates will be benchmarked with Unnatti- PLR.
e) 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.
f) The annualized 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 the borrower or customer in the application form and communicated explicitly in the sanction letter.
g) Loan amount, Annualised 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.
h) Besides normal Interest, the Company may levy additional interest as penal interest over and above normal interest rate for non-compliance with any of the sanctioned terms or for any delay or default in making payments of any dues. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and shall be communicated explicitly in the sanction letter.
i) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment / foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS / other remittance charges, commitment fees, 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.
j) The rate of interest applicable to each customer is subject to reset as the situation demands and is subject to the management's perceived risk on a case-to-case basis.
k) Changes in interest rates would be decided at any periodicity, depending upon changes in benchmark rate, market volatility and competitor review. Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per the terms

of the loan documents. Any revision in interest or other charges would be with prospective effect.

l) 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 interest rates.

m) In case of disbursements in tranches, the rates of interest may 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.

n) Claims for refund or waiver of charges/ penal interest/ additional interest 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.

2. Processing/Documentation and Other Charges

i. <u>Sourcing Costs at the time of the application:</u>

a) These costs are incurred by the Company before the customer takes his loan disbursement and will be covered through the charges deducted or collected from the disbursement amounts. These costs include acquisition, verification, legal & valuation,credit appraisal etc.

b) All processing /documentation and other charges recovered are expressly stated in the loan execution documents. They may vary based on the loan product, exposure limit, customer segment, geographical location of the customer etc.

c) In the event of cancellation of loans at the behest of the customer or due to insufficiencies identified in the details submitted by the customer, the Company shall have the right to levy cancellation charges on the customer due to the cost incurred by the Company. The Company shall not levy processing fees for customers to whom cancellations charges are levied. In case, processing fees has been paid by the customer, the same shall be set off from the cancellation charges.

ii. Costs incurred during the tenure of the loan:

a) Besides interest, other financial charges such as cheque bouncing charges, cheque swaps, cash handling charges, RTGS/other remittance charges, commitment fees, charges on various other services or such other charges as may be communicated/ intimated to the customer through the sanction letter/ loan agreement would be levied by the Company wherever considered necessary or through any other mode thereafter.

b) Besides these, statutory charges such as the goods and service tax and other cess would be collected at applicable/ prevailing rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided collectively by the management of the Company.

c) Penalties levied on the Customer (Effective from April 01, 2024)

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penalties'. These penalties shall also cover charges levied on the customer for delay in payment of their overdue EMI.
- There shall be no capitalisation of penalties i.e., no further interest computed on such charges.
- The Company shall not introduce any additional component to the rate of interest.
- The quantum of penalties shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- The penalties in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of materialterms and conditions.
- The quantum and reason for penalties shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company's website.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penalties shall be communicated. Further, any instance of levy of penalties and the reason thereof shall also be communicated.
- Requirements mentioned in this clause shall be applicable in respect of all thefresh loans availed / renewed from January 01, 2024. In the case of existing loans, the switchover to new penalties shall be ensured on next review or renewal date or six months from the effective date, whichever is earlier.

d) **Charges applicable at the time of closure of the loan:** These will include pre-payment & foreclosure charges subject to RBI guidelines, repossession and other legal expenses related to recovery of over dues.

e) The Company shall levy the charges in accordance with the agreements executed with the customer/any subsequent changes as communicated.

f) All charges and any revisions thereof are approved by the Executive Committee of the Management as a part of the product manuals or separately. Such changes/ revisions thereof shall also be submitted to the Board in the subsequent Board meeting.

The Schedule of Charges (SOC) for various products is attached as **Annexure A.**

3. Disclosure

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Companywebsite.

4. Applicability

The Policy shall be applicable on Loans and advances (other than Inter Corporate Deposits) made by the Company and shall not be applicable to investments of the Company.

5. Review & Amendments

This policy shall be reviewed and updated periodically for any changes.

"In case any amendments issued by Reserve Bank of India in form of clarifications, circulars or guidelines or by any other name, which may not be consistent with the current provisions laid down under this Code, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the RBI communication and the same shall stand amended accordingly effective from the date as laid down under such RBI communique."