INTEREST RATE POLICY

(Version: 1.9)

Policy Name	
Policy Approval authority	Risk Management Committee Board of Directors
Policy Owner	Chief Product Officer
Policy Implementation Authority	Chief Product Officer
Version	Version 1.9
Issue Date	
Date of last review	31 July 2024

Relevant Act/Rules/Regulations
Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023

VERSION CONTROL

Version Control Number	Author	Approval Date	Effective Date	Version Description
Ver 1.0	Chief Financial Officer	07 December 2011	07 December 2011	-
Ver 1.1	Chief Financial Officer	26 September 2012	1 October 2012	-
Ver 1.2	Chief Financial Officer	15 May 2015	1 January 2016	-
Ver 1.3	Chief Financial Officer	25 January 2017	1 February 2017	Change in Bench Mark rate
Ver 1.4	Chief Financial Officer	23 June 2017	23 June 2017	Change in authorization to approve charges other than interest
Ver 1.5	Chief Financial Officer	28 September 2017	28 September 2017	addition of range of interest rate for covering unsecured loans & loans under assets finance
Ver 1.6	Chief Financial Officer	20 May 2019	20 May 2019	Amendment in the interest rate range of loans under Vehicle Finance
Ver 1.7	Chief Product Officer	24 January 2024	24 January 2024	Amendment in the Pricing of loans & revision of fees & charges
Ver 1.8	Chief Product Officer	29 March 2024	29 March 2024	Splitting of existing policy into - i. Retail ii Corporate & SME loans
Ver1.9	Chief Product Officer	31 July 2024	31 July 2024	Addition of New Product M/LAP & LAP

Preface

Reserve Bank of India had vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (updated as on March 21, 2024) ("**SBR Regulations**"), requires non-banking financial companies ("NBFCs") to adopt an interest rate model taking into account various relevant factors to determine the rate of interest to be charged for loans and advances. It further requires that 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 the borrower/customer in the application form and communicated explicitly in the sanction letter. IndoStar Capital Finance Limited ("**ICF**"/ "**the Company**") presently offers corporate loans, vehicle loans and loans to small and medium enterprises, retail loans and M-Lap. In this connection, customers are charged amounts at various instances during the course of the loan cycle.

In compliance with the requirements of the SBR Regulations and the Fair Practices Code adopted by the Company, the Company has adopted this interest rate policy ("**Policy**"), broadly outlining the Interest Rate Model and the Company's approach towards risk gradation in respect to its lending business.

I. Interest Rate Model

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

1. **Tenor of the Loan and Payment Terms** - Term of the loan; frequency of payment of interest (viz. monthly, quarterly, yearly); terms for repayment of principal; moratorium period, bullet payment, back ended payment schedule, zero coupon structured loans, etc.

2. **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.

3. **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.

4. **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.

5. **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.

6. **Margin:** A markup to reflect other costs/ overheads to be charged to the loan and our designed margin.

7. **ALCO View and Market Dynamics-** Views of the Asset Liability Management Committee ("ALCO") of the Board of Directors of the Company 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 ALCO are also relevant factors for determining interest rates to be charged.

8. **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. <u>Approach for Gradation of Risk</u>

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

1) profile and market reputation of the borrower;
2) inherent nature of the product, type/ nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed;
3) tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients;
4) group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
5) nature and value of primary and secondary collateral / security;
6) type of asset being financed, end use of the loan represented by the underlying asset;
7) interest, default risk in related business segment;
8) regulatory stipulations, if applicable, and any other factors that may be relevant in a particular case,

9) location of the borrower;
10) external credit score/ rating of the borrower e.g. CIBIL score;
11) performance of the borrower with respect to other/ past loans availed by the borrower from other financial institutions.

III. <u>Rate of Interest</u>:

1. The Company's pricing is decided taking into account the customer profile, customer vintage (i.e. past relationship of the concerned customer with the Company), residential stability, financial strength, loan history & performance, credit scores, location, asset nature and quality and various other factors.
2. The lending interest rate will be arrived at based on the weighted average cost of funds including all charges, risk premium, other costs such as administrative expenses, profit margin, stability, market information associated with lending activities as given below.
3. The range of interest rate charged by the Company for loans and advances is on fixed rate basis as given below:

Pricing Range		
1. Retail Loans	**New**	**Used**
Commercial Vehicle	10% to 24%	10% to 36%
Construction Equipment	10% to 24%	10% to 36%
Farm Equipment (including Tractors)	10% to 24%	10% to 36%
Cars	10% to 24%	10% to 36%
M-LAP/LAP	10% to 36%	
Other Loans (viz. any other loans granted by the Company)	10% to 36%	

4. Managing committee/Risk Management Committee (RMC) can decide on pricing for any new products introduced for funding/ lending in the Company.

IV. <u>Fees & Charges Matrix</u>

1. The details of fees and charges that can be levied are as follows:

Description of Charges	Amount (exclusive of GST)
Processing fees	Higher of Rs.7500 or 2%
Documentation charges	Rs. 2000
Stamping charges	Actuals
Statement of Account ("SOA") charges	Rs. 500

Swapping charges (from ECS/ PDC/ NACH)	Rs. 1000
Roll over PDC charges	Rs. 500
Non PDC charges (Cash payment mode)	Rs. 500
Pre-Closure charges	4% of the principal outstanding ("POS")
Cheque/ Electronic Clearance Service ("ECS") bounce charges	Rs.500 per returned ECS/Cheque
Payment collection charges (FVC)	Rs. 200 per Transaction
Duplicate NOC charges	Rs. 500 per expired/lost NOC
Repossession charges	At Actuals
Late payment - penal charges	[36% per annum]
Legal charges	At Actuals
Security Creation Charges	Actuals
Foreclosure Statement	NIL
Retrieval of property papers	1000 per Retrieval, Free of cost post case loan closure
List of documents charges	Rs.500
Interest Certificate	Rs.200, per document **
Notification of Intimation of Mortgage to SRO (if applicable)	Borrower to initiate and complete on its own cost and expenses
ROC Notification for Charge (Where property owner is a company)	Borrower to initiate and complete on its own cost and expenses
CERSAI Charges	Rs.100/- per property
Postage, telegram, telephone and notice charges	At Actuals
Enforcement charges	At Actuals
Cheque collection charges for outstation cheques	At Actuals
Charges relating to repairs to the Property	At Actuals
Fees and expenses regarding any action or proceeding	At Actuals
Loan cancellation charges (if any)	Minimum Rs. 3000/- or the number of days** interest whichever is high
Security preservation charges	At actuals
Mortgage Origination Fees/Login fees	Up-to Rs 2500 per property
Towing Charges /Charges for Parking & Sales of Vehicle	Actuals
Details of Contingent Charges (in INR or %, as applicable)	Actuals

**Number of days: from the date of disbursement till the date of receipt of full cancellation amount.
**For online downloads Charges would be NIL
**All the above charges are exclusive of GST

2. **<u>Penal Charges in Loan Accounts</u>** (With effect from April 1, 2024 or any date communicated by RBI)

a. Penalty charged for non-compliance of material terms and conditions of the loan contract by the borrower shall be charged as 'penal charges' and shall not be levied in the form of 'penal interest', that is added to the rate of interest charged on the advances. The penal charges charged to the borrowers shall not be capitalized i.e. no further interest computed on such penal charges.

b. There shall be no introduction of any additional component to the rate of interest and ensure compliance to SBR Regulations in this regard in both letter and spirit.

c. The quantum of penal charges 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.

d. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.

e. The quantum and reason for penal charges shall be clearly disclosed to customers in the loan agreement and most important terms and conditions/ key fact statement (KFS) and shall additionally be displayed on websites of the Company under interest rates and service charges.

f. Whenever reminders for non-compliance of material terms and conditions of loan are sent to its customers/ borrowers, the Company shall communicate penal charges and the reason therefor to such customers/ borrowers.

V. Waivers & Delegation:

Any Waivers & Delegation to be approved as per DOA (Delegation of Authority).

VI. Content on the website:

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

VII. Review of the policy:

The policy shall be reviewed on an Annual basis.