

“Interest Rate Policy”

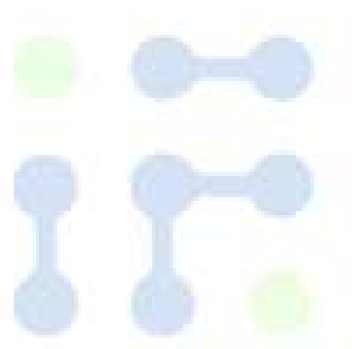
Indresh Financial Services Pvt. Ltd. (IFSPL) registered as NBFC- ND under Investment and Credit Company (ICC) category

Status

Version	Approval Date	Revised by	Revision Description
1.0	24 th December, 2024	NA	Adoption of Policy

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CHAPTER I -- PREAMBLE

Indresh Financial Services Pvt. Ltd. ("IFSPL" or "Company") is registered as a Non-Deposit taking Non-Banking Financial Company ("NBFC – ND") with the Reserve Bank of India ("RBI") since September 27, 2024 bearing NBFC registration number N-14.03630. IFSPL has been incorporated to primarily engaged in the business of providing credit facilities to individuals, proprietors, partnerships, private/public companies etc.

The Reserve Bank of India ("RBI"), vide Master Direction bearing Reference no. RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/ 03.10.119/ 2023-24, Reserve Bank of India, Non-Banking Financial Company – Scale Based Regulation dated October 19, 2023 (Updated as on October 10, 2024) has outlined the provisions for NBFCs – Base Layer (NBFCs-BL), NBFCs- Middle Layer (NBFC – ML) , NBFCs- Upper Layer (NBFCs- UL), NBFCs – Top Layer (NBFCs -TL) and guideline on Fair Practices Code, which prescribes the guidelines on fair practices code to be adopted by all non- banking financial companies ("NBFCs") while doing lending business.

The RBI, on account of receipt of several complaints regarding levying of excessive interest and charges on certain loans and advances directed by way of the Master Circular that all NBFCs to lay out appropriate internal principles and procedures in determining interest rates, processing fees and other charges (with the approval of the board of directors of the NBFC taking in to account relevant factors such as cost of funds, margin and risk premium etc.), which contains the guidelines outlined in the Master Circular and the Master Direction.

Accordingly, Indresh Financial Services Private Limited (the "IFSPL" or "Company") has put in place this interest rate policy ("Interest Rate Policy") to be followed by the Company in determining interest rates, processing fees, gradations of risk, rationale for charging different rate of interest to their borrowers and other charges in relation to its lending business. This Interest Rate Policy is intended to be representative of the Company's guiding philosophy in relation to dealing with customers in a transparent and open manner.

This policy is to be read in conjunction with operational guidelines issued by RBI from time to time. The content of this policy shall always be read in tandem / auto-corrected with the changes / modifications as may be advised by RBI from time to time.

CHAPTER II -- ESTABLISHING AN INTEREST RATE

- 1.1. IFSPL propose to lend money to its customers through Fixed and Floating rate loan.
 - 1.1.1. For Floating rate Loans, IFSPL propose to extend loans and advances linked with external benchmarks i.e. Repo, T Bill, any Bank MCLR or any other benchmark which is published and is accessible transparently in public domain.

Benchmark rates as mentioned above to be applied to any loan and advance extended, post agreement with customers.
 - 1.1.2. Fixed rate loans are not linked to any benchmark but are decided based on Cost of Funds, margin, risk premium, Operational expenditure etc.

The Fixed/ variable rate of interest to be charged for loans and advances will be in the range of 10% to 30% p.a., exceptions to be approved by CEO and one Director and to be reported to the Board of Directors of the Company.
- 2.2. Product - The rate of interest charged will depend on the product being offered and the risk profile associated with the said product;
- 2.3. Tenor of the Loan - The rate of interest charged will depend on the term of the loan;
- 2.4. Internal and External Costs of Funds - The rate of interest charged will also be determined depending on the rate at which funds necessary to provide loan facilities to customers are sourced by the Company, normally referred to as internal cost of funds. From an external cost of funds perspective, the benchmark interest rate that may be used by the Company could be either the Marginal Cost of Lending Rate of the leading Scheduled Commercial Bank, Government Securities or Repo Rate .
- 2.5. Internal Cost Loading - The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, quantum of the transaction and other factors that may affect the costs associated with a particular transaction will also be taken into account before arriving at the final rate of interest quoted to a customer.
- 2.6. Credit Risk - As a matter of prudence, bad debt provision cost should also be factored into all transactions. This cost is then reflected in the final rate of interest quoted to a customer. The amount of bad debt provision

applicable to a particular transaction will depend on the credit strength of the customer. CIBIL Score, existing indebtedness and other credit parameters is also to be considered while making any decision.

- 2.7 Fixed versus Floating - The applicable rate of interest would be either fixed (including EMI based lending), floating or variable and would commensurate with the requirements of the customers.
- 2.8 Periodicity of interest - Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications thereto as may be agreed by and between the Company and the customer, in writing.

While deciding the charges, the practices followed by the competitors in the market and pricing being offered by other Bank/ Fis to the borrower would also be taken into consideration in addition to factors listed above.

CHAPTER III – GENERAL

The following provisions shall apply to loans extended by the Company:

1. **Changes in Terms** - The Company shall give notice to the borrower in English language with an option to choose a vernacular language as understood by the borrower in respect of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc.

Further, any changes in the rate of interest shall be effected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Company.

2. **No Grace Period** - Interest will be payable by the customer / borrower on or before the due date stipulated therefore in the loan agreement entered into by the customer / borrower with the Company. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same.
 - i. **Moratorium** - The Company may consider necessary moratorium period for payment of interest and repayment of principal amount with proper built-in pricing, on a case-to- case basis.
 - ii. **Additional Interest and other Charges** - Besides the normal interest, the Company may levy additional interest in the form of penal charges for any delay or default in payment of dues by the customer / borrower or additional interest on other facilities etc.

Such penalty shall be subject to RBI Circular No. RBI/2023- 24/53DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and RBI Circular No. RBI/2024-25/30 DoS.CO.PPG.SEC.1/11.01.005/2024-25 dated April 29, 2024, as amended from time to time, which is elaborated in clause 3.1.9 below.

The Company may also levy other financial charges including processing fees, cheque bouncing charges, pre- payment / foreclosure charges, RTGS or such other remittance charges as decided, commitment fees, charges for services like issuance of "no due certificate", security swap charges etc. The quantum of these additional rates of interest / financial charges will be determined by the respective functional / product heads/ management of the Company and communicate the same to the customer in writing.

- iii. **Communication of Interest Rate to the Customer**- The Company shall convey in writing to the borrower in English language with an option to choose a vernacular language as understood by the borrower, by means of a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower. The loan agreement/offer letter shall expressly stipulate the penal charges chargeable for late payment / repayment of dues by the borrower, in bold.

The apportionment of the equated monthly installments ("EMI") amount towards the principal and interest will also be communicated by the Company to the customer / borrower by way of the repayment schedule, wherever applicable.

- iv. **Annualised Rates** - The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.
- v. **Pre-Payment**- Pre-payment options available to the customer and the penalty payable for exercise of such option shall be communicated to the customer/borrower.
3. **Penal/Default Charges:** Penalty, if charged, shall be treated as 'penal charges/default charges'. There shall be

no capitalization of penal/ default charges i.e., no further interest computed on such charges.

These charges shall be over and above the rate of interest charged by the Company and will not affect the normal procedures for compounding of interest in the loan account. The quantum of penal/ default 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. The quantum and reason for penal/default charges shall be clearly disclosed by the Company to the borrowers in the loan agreement, financing documents and Key Fact Statement (KFS) as applicable.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to Borrowers, the applicable penal charges shall also be communicated. Further, any instance of levy of penal/default charges and the reason thereof shall also be communicated.

Penal/default charges:

Sr. No.	Nature of non-compliance	Penal/Default charge														
1.	Payment default	Upto 5.00% p.a. on the defaulted amount (entire Principal outstanding and payable interest) for the defaulted period.														
2.	Dishonour Charges	Rs. 5,000/- (Rupees Five Thousand only) for every Cheque/ Payment Instrument/ ECS Dishonour.														
3.	Delay/ non-adherence of covenants	Upto 5.00% p.a. on the total outstanding amount for which security is not perfected														
4.	Delay/ non-adherence of covenants	Upto 5% p.a. on the total outstanding credit facilities, Also IFSPIL reserve the right to recall the facilities.														
5.	Delay in submission of requisite information within defined timelines	Upto 3.00% p.a. on the outstanding credit facilities to be charged for actual number of days for following: <table><tr><th>Type</th><th>Deadline</th></tr><tr><td>Audited Annual Report</td><td>9 months from close of financial year</td></tr><tr><td>Annual Provisional Financials- unaudited</td><td>3 months from close of financial year</td></tr><tr><td>Overdue Charges/ Default/ Penal Rate</td><td>All amounts unpaid on due date</td></tr><tr><td>Quarterly results</td><td>Quarterly results: 45 days from end of quarter</td></tr><tr><td>Stock and Book Debt Statement</td><td>Within 20 days from end of previous month</td></tr><tr><td>Any other breaches/ non-compliance in material terms of sanction/ non submission of requisite information</td><td>As and when required</td></tr></table> <p>Above is indicative list and any modification/ deviation can stipulated basis transaction structure on case to case basis.</p>	Type	Deadline	Audited Annual Report	9 months from close of financial year	Annual Provisional Financials- unaudited	3 months from close of financial year	Overdue Charges/ Default/ Penal Rate	All amounts unpaid on due date	Quarterly results	Quarterly results: 45 days from end of quarter	Stock and Book Debt Statement	Within 20 days from end of previous month	Any other breaches/ non-compliance in material terms of sanction/ non submission of requisite information	As and when required
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Any other breaches/ non-compliance in material terms of sanction/ non submission of requisite information	As and when required															
6.	Prepayment Penalty	Upto 5.00% on the outstanding amount of the facility proposed to be prepaid for actual unexpired period is applicable. It is clarified that IFSPIL shall not charge foreclosure charges/ pre-payment penalties/ charges on any floating rate term loan sanctioned for purposes other than business to individual borrowers or MSME Entities, with or without co-obligant (s).														

7.	Commitment Charge	<p>On an average basis Minimum 90% sanctioned limits to remain utilized.</p> <p>Commitment charges shall be payable in case of non-utilization of sanctioned limits upto 90% of sanctioned limits, Commitment charges shall be levied at 4% of unutilized limits (unutilized to reach to 90% threshold).</p>
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Note:

- Penal Charges will be applied on a monthly basis and calculated for the actual period of non-compliance.
- GST, other government taxes and levies as applicable, will be payable on all charges.
- Overall Penal Charges shall not exceed 10% p.a. (excluding taxes) at any given point of time, irrespective of the number of non-compliances.

Any non-compliance charges except as mentioned above should not be more than 3% p.a. for each non-compliance.

8. Other Charges:

S. No.	Particulars	Charges
1	Processing Fees	Upto 5.00% of sanctioned credit facility
2	Annual/Review Fees	Upto 2.00% on aggregate credit facility

No claims for refund or waiver of such charges/ penal interest / additional interest shall normally be entertained by the Company and it is the sole discretion of the Company to deal with such requests, if any.

Any relaxation and waiver to levy penal/ default charges or any other form of charges shall be approved by CEO or any one director, relaxations/ waiver may be considered on the basis of the nature of business, pricing of competing lenders, banking arrangements, future business prospects etc.

CHAPTER IV -- RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS (EMI) BASED PERSONAL LOANS

- At the time of sanction of EMI based floating rate loans, Company will take into account the repayment capacity of the borrower and ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI. In case of any possible increase in the external benchmark rate during the tenor of the loan and at the time of reset of interest rates, Company will provide the option to the borrowers to switch over to a fixed rate and will be allowed to switch only twice in a year. The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ prepayment penalty shall be subject to extant instructions.
- At the time of sanction, It shall be clearly communicated to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through pre decided channels.
- All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options will be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.
- The Company shall also ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- The Company shall make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan along with the options available to them.

CHAPTER IV -- POLICY FOR ON DEMAND / CALL LOANS

On demand/call loans may be extended by the Company to its customers solely in accordance with the following policy for extension of demand/ call loans:

- i. The cut-off date within which the repayment of demand or call loan shall be demanded or called up shall be the date of the demand or upto 1 year from date of disbursement whichever is earlier along with costs, fees, charges, levies, expenses, claims by the Company and outstanding amount along with the interest thereon.
- ii. The Credit Committee sanctioning such loan shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction.
- iii. The rate of interest which shall be payable on such loans shall be 10% to 30% p.a.
- iv. Interest on such loans, as stipulated shall be payable either at monthly or quarterly rests, interest payment frequency is to be decided by credit committee;
- v. The Credit Committee sanctioning such loans shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period.
- vi. The cut-off date, for review of performance of the loan shall be half yearly and cut off date is to be calculated from the date of sanction; and
- vii. No demand or call loans shall be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

CHAPTER V -- COMPANY WEBSITE

This Interest Rate Policy, including the rate of interest and approach for gradation of risk, shall be made available on the Company's website, or in the alternate, published in the relevant newspapers. Such information published on the Company's website or otherwise published shall be updated whenever there is a change in the rates of interest for each loan product.

Chapter VI -- DEVIATION

In the interest of time and to fast pace decision making, deviation to any terms of this policy can be accorded by CEO along with any one director subject to the compliance of the provisions of the applicable RBI Guidelines and noting of the same in the ensuing Board meeting.

Chapter VII -- INCONSISTENCY

In case of any conflict between this policy or any other policies of the Company, the policy last approved by the Board of Directors of the Company will prevail and in case of any inconsistency or conflict between any policy of the Company with the RBI Regulations/Circulars/Guidelines/ Notifications, the RBI Regulations/Circulars/Guidelines/Notifications will prevail to the extent of such inconsistency till the time the updated policy will not approved by the Board of Directors of the Company.

Chapter VIII -- REVIEW OF POLICY

This Policy shall be reviewed by the Board of Directors on an annual basis. Further, this Policy shall be approved/ amended by the Board of Directors subject to the applicable laws including but not limited to the rules, regulations, guidelines, directives, and instructions issued by the RBI, from time to time, and shall supersede the earlier version of the Policy.

The Committee may also suggest changes or modifications to the Policy and present it before the Board for its approval and adoption.

Chapter IX – EFFECTIVE DATE

This Policy shall be effective from the date of its approval by the Board and shall apply retroactively to all relevant activities occurring on or after the approval of the policy.

