



Borrow. With Confidence.

## INTEREST RATE POLICY

### Background:

As per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 1, 2016, and updated from time to time, all the NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest charged for loans and advances. 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 or customer in the application form and communicated explicitly in the sanction letter. The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated as and when there is a change in the rates of interest.

### Objective of the Policy:

To determine the benchmark rates to be used for arriving at the final rate to be charged to the borrowers/ customers for various products financed by the company.

### Review of Policy:

Any change in the benchmark rate would be decided by the ALCO, and ALCO would recommend such changes; if any to the Board for approval in the subsequent Board Meeting. The policy would be reviewed by the ALCO as and when required but at least once in a year.

Business team shall have the authority to fix their internal pricing under the overall framework of board approved interest rate policy for deciding the spreads to arrive at final rate to be charged to the customers.

### Interest Rate Model:

Depending upon various products financed by Incred, the company lends money through both fixed and floating rate interest. Details of various products and nature of interest rates offered by Incred are as under:

<b>Product Segment</b>	<b>Nature</b>
Personal Loans	Fixed
Unsecured Business Loans	Fixed
Student/ Education Loans	Floating
Secured School Finance	Floating and fixed
Loan against Properties	Floating and fixed
Supply Chain Finance	Fixed
Lending to FIs	Fixed
Structured Finance/ Escrow backed lending	Fixed

The Interest Rate benchmark shall be calculated considering the sum of following factors:

1. **Base Cost of funds:** The Company borrows funds through various long term and short-term sources including term loans, Non- Convertible Debentures, Working Capital (CC/WCDL), Commercial papers, ICDs etc.

Weighted Average cost of all borrowings (including other costs like Processing Fee, brokerage etc.) net of treasury income (income earned over investment of surplus funds) over Assets under Management/ Loan Assets to be considered for benchmark calculation.

2. **Opex Cost:** It includes all fixed and variable operations cost including employee expenses, administration expenses, sales and marketing expenses etc.
3. **Risk Premium:** Base risk premium to cover business related risks/ expected credit cost (provisions and write-offs) over AUM. The premium will also vary depending on degree of risk involved in lending which includes type of product, general economic condition, mode of repayment by customer, location of customer, Loan tenor, customer category, probability of default, LTV etc.

The rate of interest for the same product and tenor by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors

4. **Base ROA:** Base Return on assets is the minimum return expected by the company on its assets.

**Other Charges:**

Other financial fees and charges for the loans like processing fees, operating charges like cheque bouncing charges, late payment charges, reschedulement charges, pre-payment / foreclosure charges, charges for issue of statement account etc., would be decided by the respective Business Heads considering market practices and in consultation with Operations Head.

Legal charges like stamp duty, service tax and other cess would be collected at applicable rates from time to time and would be decided upon by respective Business Heads in consultation with Finance and Legal Heads.

**Communication of Interest Rate/ Charges:**

Interest rates/ other charges would be intimated to the customers at the time of sanction / avilment of the loan by the Company. The Interest Rate Model along with the rate of Interest charged to the customers shall be uploaded on the website of the Company and shall be updated as and when there are changes in the rates. Further, changes in the rates for the existing customers shall also be communicated to them.