

INTEREST RATE POLICY

SelfFin India Financial Services Private Limited

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1. Background

Selfin India Financial Services Private Limited (“Selfin” or “the Company”) is registered with the Reserve Bank of India (“RBI”) as a Non-Deposit Taking Non-Banking Financial Company. The Company operates in accordance with the applicable RBI regulatory framework, including the Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time.

The applicable RBI directions require an NBFC’s Board of Directors to establish suitable internal principles and processes for determining interest rates, processing fees and other charges and to adopt an appropriate interest rate model.

The interest rate framework is required to consider relevant factors including the Company’s cost of funds, margin requirements and the risk premium associated with the lending activity. Accordingly, the Board has approved and adopted this document as the Interest Rate Policy of Selfin India Financial Services Private Limited.

2. Objectives of the Policy

The principal objectives of this Interest Rate Policy are to:

1. establish a clear framework describing the interest-rate methodology adopted by Selfin;
2. enable borrowers to understand the broad methodology and relevant factors used in determining rates applicable to the Company's financial products; and
3. maintain a consistent and transparent basis for determining interest rates across different borrower categories and lending products.

3. Application of the Policy

This Policy applies to all customers and other persons seeking to obtain loans from Selfin (referred to in this Policy as the “Customer”). A current version of this Policy shall be made available on the Company’s website. Selfin may modify this Policy from time to time in response to prevailing business conditions, regulatory requirements or other relevant circumstances. Any approved revision shall be appropriately published or otherwise made available on the Company’s website.

4. Interest Rate Model

Selfin may extend credit to different consumer and retail segments. Depending on the product, borrower profile and applicable risk assessment, the interest rate may be structured as either fixed or floating/variable. The pricing of a loan may take into account the relevant product characteristics, customer profile, competitive and market benchmarks and other factors considered appropriate under the Company's approved framework.

The Interest Rate Model and schedule of charges shall be made available on Selfin’s website. Any approved change to the applicable rates or schedule of charges shall be updated through the Company's prescribed disclosure channels.

Interest rates shall be determined and communicated on an annualised basis so that the borrower can understand the rate applicable to the facility. Where the contractual arrangement provides for periodic or variable calculations, the manner of application shall be set out in the relevant loan documentation.

Interest rates are not necessarily uniform across all products or borrowers. Rates may vary within an approved range depending on the type of loan, borrower characteristics and other factors described in this Policy. The indicative product-wise pricing schedule is provided in Annexure-I.

SelfFin shall avoid charging interest that is excessive in relation to prevailing market conditions. The Risk Management Committee may prescribe or recommend maximum applicable interest rates from time to time, subject to the approvals required under the Company's governance framework.

5. Methodology

5.1 Determination of the Benchmark Rate

For establishing the benchmark rate, SelfFin shall consider the following cost and return components. These elements are intended to provide a structured basis for determining the overall cost of lending:

- **Weighted Average Cost of Borrowing:** the weighted cost of funds raised through sources such as term loans, non-convertible debentures, commercial paper and subordinated debt.
- **Cost of Equity:** the return required on the equity deployed in the business, including relevant benchmark or return expectations such as G-sec linked considerations.
- **Fund Raising Cost:** expenses associated with raising and sourcing funds, including processing fees, brokerage, credit-rating costs, RBI fees, commissions and related expenses.
- **ALM Mismatch Cost:** the cost or risk arising from managing asset-liability mismatches across short-term and long-term funding arrangements within applicable regulatory limits.
- **Operating Expense:** personnel costs, branch and infrastructure expenses, operating costs, sales and marketing expenses and other business-related overheads.
- **Risk Premium:** an allowance for the credit and business risks inherent in the Company's lending activities.
- **Base ROA:** the minimum return on assets considered appropriate for the sustainability and expected profitability of the business.

Component	Illustrative Rate
Weighted Average Cost of Borrowing (A)	XX%
Cost of Equity (B)	XX%
Fund Raising Cost (C)	XX%
ALM Mismatch Cost (D)	XX%
Operating Expense (E)	XX%
Risk Premium (F)	XX%
Base ROA (G)	XX%
Final Benchmark Rate (sum of A to G)	XX%

For fixed-rate loans, pricing need not be directly linked to the benchmark rate and may instead be determined using the relevant cost of funds allocated through fund-transfer pricing, operating expenditure, business risk and the desired return on assets/return on equity. These factors are considered while arriving at the final customer rate.

5.2 Factors Considered in Determining the Interest Rate

The interest rate applicable to a borrower is assessed on a case-by-case basis. The evaluation may consider the nature and tenor of the facility, repayment structure, loan-to-value or security considerations where relevant, market conditions, industry trends and other factors appropriate to the product.

The relevant factors are broadly grouped into internal and external considerations.

5.2.1 Internal Factors

Internal pricing considerations are based on SelfFin's credit assessment, operating framework, risk policies and other internal parameters. These may include:

- the nature of the lending product, including loan type, repayment frequency, tenure and whether the facility is secured, unsecured or paperless;
- the nature and adequacy of security or collateral, where applicable, in relation to the facility;
- internal cost elements, including operating, administrative, exposure-related, fixed and variable costs and business margins;
- the level of credit and other risks associated with the product;
- the borrower's risk profile based on the credit assessment conducted by SelfFin, including the applicable risk grade; and
- other factors that the Risk Management Committee may consider relevant from time to time.

5.2.2 External Factors

Pricing may also be influenced by conditions outside the Company's direct control. Relevant external considerations may include:

- prevailing market conditions, including liquidity, market interest rates, regulatory or statutory changes, capital requirements and credit-cycle conditions;
- current and expected industry trends, including the pricing of comparable products offered by competitors;
- credit and default experience in similar borrower segments or business categories, including trends among sub-groups within the portfolio; and
- other external circumstances considered relevant by the Risk Management Committee.

5.3 Other Charges

In addition to interest, SelfFin may levy other charges that are reasonably connected with the relevant lending product or services. Such charges shall be disclosed to the borrower in the applicable loan documentation and/or through the prescribed electronic or physical communication.

5.3.1 Loan-Related Charges

Depending on the product, loan-related charges may include default interest or applicable penal charges, prepayment or foreclosure charges where permitted, disbursement charges, commitment fees, exchange-rate related charges, credit-assessment fees, late-payment charges and any other charges specified in the relevant loan documentation.

5.3.2 Administrative Costs and Charges

Administrative or service-related costs may include loan-processing expenses, service charges, processing fees, documentation costs, borrower-care charges, registration or handling charges and other applicable amounts disclosed in the loan documents or otherwise communicated to the borrower.

5.4 Taxes

Applicable taxes, duties, stamp duty, cess or other statutory levies relating to charges incurred in connection with services provided by SelfFin shall be recovered from the borrower in accordance with the applicable rates and laws.

6. Approach for Gradation of Risk (AGR)

The risk premium applicable to a customer is assessed using factors relevant to the customer's creditworthiness and the characteristics of the proposed facility. The assessment may consider the following:

1. the customer/borrower's profile, standing and market reputation;
2. the segment or category to which the customer belongs;
3. the borrower's historical repayment performance;
4. the length and quality of the relationship with the customer or group, where relevant;
5. the nature, quality and value of primary and secondary security/collateral, where applicable;
6. the inherent credit and default risk associated with the product;
7. applicable regulatory requirements; and
8. any other circumstance considered relevant to the specific case.

7. Non-Applicability of the Approach for Gradation (AGR)

SelfFin retains the discretion to determine which approved risk-gradation approach or methodology is appropriate for a particular customer or product. While exercising this discretion, SelfFin shall continue to operate within the principles and requirements established under this Policy and applicable law when determining the interest rate.

8. Disclosure

- 8.1. SelfFin shall communicate to the borrower, in physical or electronic form and in the vernacular language or another language understood by the borrower, the material terms relating to the facility, including the applicable interest rate, charges and relevant loan documentation. The annualised interest rate shall be stated clearly, and changes to interest rates or other charges shall be communicated prospectively and reflected in the applicable loan agreement.
- 8.2. The loan application and sanction documentation shall contain appropriate information regarding the Company's approach to risk gradation and the basis for charging different rates to different borrower categories. The applicable pricing rationale shall be communicated through the relevant customer documentation.
- 8.3. Where appropriate, SelfFin shall endeavour to make the relevant borrowing terms and conditions available on its website in vernacular languages that are commonly understood by its borrowers.
- 8.4. SelfFin shall clearly inform borrowers about the possible effect of changes in benchmark interest rates on EMI amounts, loan tenure or both. Where such changes result in an increase in EMI, tenure or both, the borrower shall be informed through appropriate communication channels. Borrowers shall be offered the choices available under the applicable regulatory framework, including enhancement of EMI, extension of tenure, a combination of both, or prepayment in part or in full, subject to the terms of the facility.
- 8.5. All charges and taxes referred to in this Policy, together with other disclosures required under applicable law, shall be appropriately incorporated in the loan documentation issued by SelfFin.
- 8.6. SelfFin shall provide a Key Facts Statement (KFS) to prospective borrowers in the standardised form prescribed by the RBI for applicable loans and advances, including the requirements introduced through the RBI circular on KFS dated April 15, 2024, and any subsequent amendments.

8.7 Related Policies and Procedures

The following policies and documents are relevant to the disclosures and pricing framework contained in this Interest Rate Policy:

8.8 Credit Policy

Selfin's Credit Policy establishes the principles and processes governing credit appraisal, approval, risk parameters and other lending decisions. The Interest Rate Model and pricing approach described in this Policy operate in conjunction with the credit principles prescribed under the Credit Policy.

8.9 Fair Practices Code

The Fair Practices Code contains the customer-facing disclosures and requirements relating to interest rates, risk gradation, pricing and related matters. The disclosures under this Interest Rate Policy shall be read together with the Fair Practices Code and applicable RBI directions.

8.10 Form of Documentation

Loan agreements and other related documents, including communications exchanged with borrowers, may be issued in physical or electronic form and shall, where applicable, be provided in the vernacular language or another language reasonably understood by the borrower.

9. Additional / Default Rate and Levying of Foreclosure / Pre-Payment Charges

Additional / Default Rate

For loans where amounts remain unpaid after their due dates, applicable penal/default charges shall be levied in accordance with the contractual terms and the Company's approved policy. Such charges and any other service fees applicable to the borrower shall be appropriately disclosed in the relevant loan documents.

Foreclosure / Prepayment Charges

Any foreclosure or prepayment charge applicable to a facility shall be disclosed to the borrower and levied only to the extent permitted under the applicable regulatory framework and contractual terms.

No foreclosure or prepayment penalty shall be charged on floating-rate term loans sanctioned to individual borrowers for purposes covered by applicable RBI requirements. For loans to Micro and Small Enterprises, Selfin shall comply with the applicable regulatory instructions governing foreclosure/prepayment charges on credit facilities extended to such enterprises.

10. Review and Oversight

10.1 Board Approval

The Board of Directors has reviewed and approved this Interest Rate Policy. The Board shall remain responsible for its overall governance, interpretation, implementation and periodic review.

10.2 Risk Management Committee

The Risk Management Committee shall oversee the implementation of this Policy and monitor the interest rates applied by Selfin. Where required, the Committee shall provide updates, observations and recommendations to the Board regarding the Company's pricing framework.

10.3 Periodic Review

This Policy shall be reviewed by the Board and/or the Risk Management Committee at appropriate intervals and whenever circumstances warrant. The review shall consider changes to the RBI Scale Based Regulation Directions, the RBI Act, applicable rules, regulatory notifications and other relevant requirements.

10.4 Communication

In accordance with applicable RBI requirements, borrowers shall be informed of the interest rate, the approach used for risk gradation and the basis for differential pricing across borrower categories.

Accordingly, SelfFin shall communicate the applicable interest rate and other charges before and at the time the loan is sanctioned and availed, through the relevant loan documentation and other approved communication channels. This shall include the applicable terms of this Interest Rate Policy where relevant.

The documentation issued by SelfFin shall provide borrowers with sufficient information to make an informed decision regarding the facility. The borrower's acceptance of the applicable terms and conditions, including subsequent amendments where applicable, shall be retained by SelfFin through physical or electronic means.

10.5 Amendments

Any amendment to this Interest Rate Policy shall be placed for review and approval in accordance with the Company's governance framework, including Board approval where required. The Policy shall be updated to reflect applicable changes in laws, regulations, RBI directions or other statutory requirements.

If any provision of this Policy becomes inconsistent with a mandatory legal or regulatory requirement, the applicable law or regulatory requirement shall prevail. The relevant provision of this Policy shall thereafter be amended to align with the change from its effective date.

10.6 Publication

This Interest Rate Policy shall be made available on SelfFin's website in accordance with applicable RBI requirements and shall be updated from time to time to reflect approved changes to the interest-rate framework, charges or other relevant provisions.

Annexure-I

Schedule of SelfFin India Financial Services Lending Products, Interest Rate and Processing Charges

S. No.	Lending Product	Interest Rate Range	Type of Interest	Processing Fees
1	Healthcare Finance	Bullet Payment	NA	5%-15% one-time + applicable tax
2	Supply Chain Finance	20% - 30% per annum	Floating	0.5% - 3% one-time + applicable tax
3	Consumer Durable Finance	1.5% per month – 3% per month (18% annually – 36% annually)	Fixed	3% - 5% one-time + applicable tax
4	Personal Loan Finance	18% - 40% per annum	Floating	1% - 3% one-time + applicable tax

Note:

- The interest-rate ranges stated above are indicative and may be revised. The rate recorded in the relevant facility and loan documentation shall govern the applicable borrowing arrangement.
- The rates shown are expressed on an annual basis with reference to the outstanding amount, except where the product structure is specifically stated otherwise.
- SelfFin reserves the right to revise applicable interest rates from time to time in accordance with its approved policies, contractual terms and applicable regulatory requirements.