

**POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND  
OTHER CHARGES**

**Document Control**

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<b>Document Owner</b>	Compliance Team
<b>Document Maker</b>	Smriti Pandey – DVP – Compliance
<b>Document Checker</b>	Reena Sharda – Chief Compliance Officer
<b>Document Reviewer</b>	Tushar Agrawal - CEO
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## **Policy for determining Interest Rates and Processing and other charges**

As stipulated by the Reserve Bank of India (RBI), the Board of Directors of Nuvama Wealth Finance Limited (“NWFL” or “the Company”) laid down the policy for determining Interest Rates, processing and other charges.

This Policy shall be applicable to the Loans and Advances (excluding Inter Corporate Deposits) made by the Company and shall not be applicable to Investments of the Company.

The said policy has been reviewed and revised in the light of Chapter VI of the RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 as amended from time to time required NBFCs to lay down internal principles and procedures in determining interest rates and processing and other charges.

### **I. INTEREST RATE MODEL**

The business model of the Company focuses on providing credit to customers meeting the credit standards of the Company. At present the Company provides loan under the following products to individual customers such as wealth HNI, ultra HNI customers and -non-individual customers.

ESOP  
LAS – OD  
Unsecured

The Company shall use external or internal benchmark rates for determining the floating rate for its products. The internal benchmark rate shall be PLR (Prime Lending Rate) which shall be calculated basis the parameters as stated under Annexure A. The PLR would be serve as a indicative base for charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority under Delegation of Authority.

- a) **Internal and External Costs of Funds** – refers to 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.
- b) **Tenor of the Loan & Payment Terms** – refers to the term of the loan, terms of payment of interest (viz monthly, quarterly, yearly and maturity); terms of repayment of principal; moratorium period, if any, bullet payment, etc.
- c) **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.
- d) **Operating / Overhead cost:** It includes employee expenses, operational cost, etc
- e) **Margin:** A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
- f) **Other Factors** –Tenor cost, market liquidity, offerings by competition, stability in earnings and employment, further business opportunities, external ratings, industry trends, are broad relevant factors in determining interest rate to be charged.

### **II. APPROACH FOR GRADATION OF RISK**

The rate of interest on loans for various business segments and various products is arrived after adjusting the risk premium associated with a customer inter-alia based on the following factors:

- a) Interest rate risk
- b) Credit and default risk in the/ related business segment
- c) Historical performance of similar homogeneous clients
- d) Profile and market reputation of the borrower
- e) Further business opportunities
- f) Credit Bureau Score
- g) Rate offered by the competitors in the market
- h) location of the borrower
- i) Regulatory stipulations, if applicable, and
- j) any other factors that may be relevant in a particular case and as deem fit by the Company

### **III. RATE OF INTEREST**

- a) Interest rates offered could be on fixed rate basis or floating / variable rate basis.
- b) The interest rate will be determined by the sanctioning authority as per Delegation of Power matrix after considering the nature and duration of loan, nature and liquidity of security, credit worthiness, track record of the borrower, risk perception and negotiations with the borrower etc.
- c) All the loans where the rate of interest is linked to NWFLPLR and have maturity period of above six months will generally provide for reset of interest rate. The sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing NWFLPLR at the time of reset.

The rate of interest for the same product and tenor availed during the 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.

- d) Loan amount, annualised Rate of Interest, tenure of loan, penal charges, default interest etc will be communicated to the borrower in the sanction letter.

### **III. A PENAL CHARGES, DEFAULT AND OTHER CHARGES**

- a) The Company may levy default charges for any delay or default in making payments of any dues. The details of such charges for late repayment will be mentioned in bold in the loan agreement and will be communicated vide sanction letter.
- b) 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 interest. Penal charges shall be charged separately and shall not be added to the rate of interest charged on the advances. The penal charges shall not be capitalised i.e., no further interest will be computed on such charges.
- c) The Company shall also levy charges independently in events like charges on cheque bouncing charges, pre-payment / foreclosure charges, part disbursement charges,

commitment fees, breach of any material terms and conditions, etc., if any. wherever considered necessary as per the terms agreed under the respective sanction letter executed with the customer. In addition, applicable taxes, levies, cess like Goods and Services Tax (GST) on such charges would be collected at applicable rates from time to time.

- d) The processing fee will be determined by the sanctioning authority on the basis of the quantum of work involved in credit appraisal, volume of documentation involved, other expenses involved in the transaction and negotiation with client.
- e) Claims for refund, increase, reduction, or waiver of such charges/ penal interest / additional interest would normally not be entertained by the Company, and it shall be at the sole and absolute discretion of the Company on a case-to-case basis. Such waiver including extent of waiver, if any shall be done as per the authority given under delegation of authority.
- f) Intimation of change in interest or other charges would be communicated to customers as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.
- g) Further, unpaid interest for any period may be compounded monthly or at such interval as may be decided by the Company from time to time.
- h) In case of staggered disbursements, the rates of interest would 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.
- i) 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.
- j) The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- k) 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.
- l) The quantum and reason for penal charges shall be clearly disclosed to customers in the loan agreement and sanction letter / key fact statement (KFS) and shall additionally be displayed on websites of the Company under interest rates and service charges.
- m) 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.

At present the annualized rate of interest to be charged to the customers at the time of sanctioning loans other than IPO loans shall be in the range as mentioned:

Product	Interest Rate range
ESOP	5% - 15%

LAS-OD	6% - 19%
UNSECURED	8% - 15%

In exceptional circumstances, based on the risk assessment and financial structure, this may fall outside the indicated range.

Content on the website: This Policy will be made available on the website of the Company.

Review of the policy:

The Company may review or amend the Policy, through ALCO and the Board and/or a designated committee, to comply with regulatory requirements or to make any necessary modifications to meet business needs.

However, Policy shall be reviewed at least annually and approved by the Board.

In case, any amendments, clarifications, circulars or guidelines is issued by the regulatory body(ies)/authority(ies) and is immediately effective, then provisions of such amendments, clarifications, circulars and the guidelines shall prevail over the existing policy from the effective date as referred in the notification.

**ANNEX A**

Calculation of NWFLPLR (For Base Amount of INR 100)				Fig in INR
A	Fund Requirement for Loan Amount of INR 100			
a.1	Loan Amount			
a.2	RBI Capital Adequacy Requirement (CRAR) Current: 15%;			
B	Funding Composition			
b.1	Own Capital (15%)			
b.2	Borrowed Funds (85%)			
C	Funding Cost			
c.1	Cost of Own Capital (Assumed risk free rate (G Sec rate*))			
c.2	Borrowing Cost			
D	Provisioning for Standard Assets			
E	Liquidity Cushion Cost			
F	Operation expenses including employee benefit expenses <b>Effective estimated Cost of the NWFL</b>			
E	Risk Margin (Taken at 400 Basis point due to Business Risk, High Leverage, Concentration of Collateral & ability to liquidate collateral)			
	<b>NWFL Prime Lending Rate (NWFLPLR)</b>			

\*G Sec rate will be the latest 10-year benchmark rate and reset on quarterly closing rate as per the NDS-OM at <https://www.ccilindia.com>.