

**CREDRIGHT FINANCE**

**INTEREST RATE**  
**AND SERVICE CHARGES POLICY**

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## 1. Interest Rate Model Policy

The Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133/03.10.001/ 2008-09 January 2, 2009 and the guidelines issued via NBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013. Keeping in view the RBI's guidelines as cited above, and the good governance practices, CredRight Finance Private Limited, hereinafter referred to as "CredRight Finance" has adopted the following internal guidelines, policies, procedures and interest rate model for its lending business. This policy is representative of our philosophy in determining interest rates and communicating with customers in an open and transparent manner.

## 2. Methodology of Interest Rate Calculation

The interest rates for each of our products are decided by the Board of Directors. The average yields and the rate of interest under each product is decided from time to time, giving due consideration to the following factors:

- a. The weighted average cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc.;
- b. Operating cost in our business and maintaining the stakeholders expectations for a reasonable, market-competitive rate of return;
- c. Industry trends - offerings by competition and margin expectations in the industry;
- d. Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio;
- e. Nature of lending, for example unsecured/secured, and the associated tenure;
- f. Nature and value of securities and collateral offered by customers;
- g. Risk profile of customer - professional qualification, stability in earnings, financial track record, past repayment track record with us or other lenders, credit reports, customer relationship, future business potential etc.;
- h. Whether the customer is a new or an existing one

## 3. Our Approach to Interest Rate

CredRight Finance has adopted a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers will not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.

- a. The interest rates offered could be on fixed basis or a floating/variable basis. Changes in interest rates will be decided at any periodicity, depending upon market volatility and competitor review.
- b. The interest re-set period for floating/variable rate lending will be decided by the CredRight Finance from time to time, applying the same decision criteria as considered for fixing of interest rates.

- c. Interest will be charged on a daily rest basis and recovered on a monthly basis. Specific terms in this regard will be addressed through the relevant product policy.
- d. Interest rates will be intimated to the customers at the time of sanction/availing of the loan and the EMI apportionments towards interest and principal dues will be made available to the customer, including via Key Fact Statement (KFS).
- e. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- f. Interest changes will be prospective in effect and intimation of change of interest or other charges will be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- g. Besides interest, other financial charges like processing fees, cheque bouncing charges, penal charges, pre-payment/foreclosure charges, part disbursement charges, cash handling charges, RTGS/other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/security, insurance etc. will be levied by CredRight Finance wherever considered necessary. Besides the base charges, the applicable taxes like Goods and Services Tax (GST) and other cesses will be collected at applicable rates from time to time. Any revision in these charges will be with prospective effect. These charges will be decided upon collectively by the management of CredRight Finance or as per applicable laws.
- h. Prior to entering into an agreement with our customers, CredRight Finance will provide them, including via Key Fact Statement, with our statement of charges and interest and address their queries and questions on this to their satisfaction. Our officers ensure charges and rates of interest are explained clearly and transparently to customers who may be interested in our products.
- i. In case of staggered disbursements, the rates of interest will 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 CredRight Finance.
- j. Claims for refund or waiver of any charges and/or interest rate will normally not be entertained by CredRight Finance, and it is the sole and absolute discretion of the company to deal with such requests.

#### **4. Interest Rate Pricing**

Interest Rates can range from 18% to 36% per annum on a reducing balance basis for a loan. Identical products may attract different interest rates for different customers. Interest rates may vary depending upon a combination of factors including but not limited to credit and default risk, historical performance of similar clients, profile, repayment track record and credit history of the applicant, nature of the business, value of collateral security, tenor, etc.

#### **5. Penal Charges**

a. Objective:

CredRight Finance believes that the primary purpose of imposing penal charges is to foster credit discipline, rather than using them as a tool for increasing revenue beyond the agreed interest rates.

b. Guidelines for Penal Charges

- (i) **Nature of Charge:** Penalties for non-compliance with essential terms of the loan contract will be regarded as ‘penal charges’ rather than ‘penal interest’ added to the interest rate on the loan. These charges will not be compounded further with interest. However, this change will not affect the usual process of interest compounding in the loan account.
- (ii) **Interest Rate Components:** No additional components to the interest shall be added.
- (iii) **Penal Charges:** Penal Charges shall be in the range of 2% - 4% per month on the unpaid dues and shall not be compounded plus applicable taxes.
- (iv) **Uniformity for Individuals:** In the case of loans granted to ‘individual borrowers for non-business purposes,’ the penal charges should not surpass those applicable to non-individual borrowers facing similar non-compliance.
- (v) **Transparency in Disclosure:** CredRight Finance shall disclose the penal charges in the loan agreement, as well as Key Fact Statement (KFS). The details are also displayed on our website [www.credrightfinance.com](http://www.credrightfinance.com) under the “Interest Rates and Service Charges” section.
- (vi) **Communication of Charges:** Whenever reminders for non-compliance shall be sent to the borrowers, the relevant penal charges shall also be communicated. Additionally, instances of imposing penal charges and the reasons behind them shall be communicated to borrowers.

## 6. Bounce Charges

a. Objective:

CredRight Finance believes that the primary purpose of imposing bounce charges is to foster credit discipline, rather than using them as a tool for increasing revenue beyond the agreed interest rates.

b. Guidelines for Bounce Charges

- i. **Nature of Charge:** For borrowers with whom e-NACH is registered for payment of EMI, or the borrower has provided cheques for clearances but during the time of presentation, it bounces, then bounce charges shall be levied on such borrower. Bounce Charges shall not be compounded.
- ii. **Bounce Charge:** Bounce Charge shall be upto INR 500 for each instance of bounce + applicable taxes.
- iii. **Uniformity for Individuals:** In the case of loans granted to ‘individual borrowers for non-business purposes,’ the bounce charges should not surpass those applicable to non-individual borrowers facing similar non-compliance.
- iv. **Transparency in Disclosure:** CredRight Finance shall disclose the bounce charges in the loan agreement, as well as Key Fact Statement (KFS). The details are also displayed on our website [www.credrightfinance.com](http://www.credrightfinance.com) under the “Interest Rates and Service Charges” section.
- v. **Communication of Charges:** Whenever reminders for non-compliance shall be sent to the borrowers, the relevant bounce charges shall also be communicated. Additionally, instances of imposing bounce charges and the reasons behind them shall be communicated to borrowers.

## 7. Foreclosure Charges

### a. Objective:

CredRight Finance incurs significant costs and time to process and provide loan to the borrower. However, foreclosure of loan reduces the estimated profit as well as may not even cover the cost of processing the loan and hence CredRight Finance has put foreclosure charges with the intention of discouraging the customer to foreclose the loan.

### b. Guidelines for Foreclosure Charges

- i. **Nature of Charge:** For borrowers who wish to foreclose the loan before end of the agreed tenure, then foreclosure charges shall be levied on such borrower. Foreclosure Charges shall not be compounded.
- ii. **Foreclosure Charge:** Foreclosure Charge shall be upto 7% of outstanding principal + applicable taxes.
- iii. **Uniformity for Individuals:** In the case of loans granted to 'individual borrowers for non-business purposes,' the foreclosure charges should not surpass those applicable to non-individual borrowers facing similar non-compliance.
- iv. **Transparency in Disclosure:** CredRight Finance shall disclose the foreclosure charges in the loan agreement, as well as Key Fact Statement (KFS). The details are also displayed on our website [www.credrightfinance.com](http://www.credrightfinance.com) under the "Interest Rates and Service Charges" section.
- v. **Communication of Charges:** Any instance of imposing foreclosure charges and the reasons behind them shall be communicated to borrowers.

## 8. Bank Account Swap Charges

### a. Objective:

CredRight Finance understands that borrower may wish to change the bank account for repayment of loan, however it incurs costs of personnel and technology to do so and hence CredRight Finance has put Bank Account Swap charges.

### b. Guidelines for Bank Account Swap Charges

- i. **Nature of Charge:** For borrowers who wish to swap the bank account with which repayment is being done, then bank account swap charges shall be levied on such borrower. Bank Account Swap Charges shall not be compounded.
- ii. **Bank Account Swap Charge:** Bank Account Swap Charge shall not exceed INR 1,500 + applicable taxes.
- iii. **Transparency in Disclosure:** CredRight Finance shall disclose the bank account swap charges in the loan agreement, as well as Key Fact Statement (KFS). The details are also displayed on our website [www.credrightfinance.com](http://www.credrightfinance.com) under the "Interest Rates and Service Charges" section.

- iv. **Communication of Charges:** Any instance of imposing bank account swap charges and the reasons behind them shall be communicated to borrowers.

## **9. Review of the Policy**

The rates of interest shall be reviewed periodically and any revision in this policy shall be decided by Board of Directors. The policy will be reviewed as required by the Board of Directors of the Company.