EPIMONEY PRIVATE LIMITED

Interest Rate Policy

Detailed Policy Document

TABLE OF CONTENTS

Sr. No	Particulars	Page No
1	Introduction	3
2	Objectives of the policy	3
3	Principles for determining Interest Rate for loans	3
4	Approach for Risk Gradation	4
5	Principal governing Rate of Interest	4
6	Penal and Other charges	5
7	Disclosure of Rate of Interest & Penal Charges to the Borrower	5
8	Change in the Interest Rate	5
9	Review of Policy	6

1. Introduction

Epimoney Private Limited ("Company"), registered with the Reserve Bank of India (RBI) as a Non-Deposit taking Non-Banking Financial Company (NBFC), is primarily engaged in providing financial assistance to various business entities, including small and medium enterprises, by facilitating access to various loan products. The domain name flexiloans.com ("website") is owned by the Company.

This policy is formulated with reference to the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions, 2023 [RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24] and Fair Lending Practice -Penal Charges in Loan Accounts [RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24] issued by the RBI.

2. Objective of the Policy

a) Establish benchmark rates for different borrower segments and define principles and approaches for charging spreads to arrive at final rates for borrowers.
b) Clearly communicate the annualized interest rate to borrowers, detailing the approach for risk gradation and rationale for charging varying interest rates to different borrower categories.
c) Ensure transparency by making interest rates and risk gradation approaches available on the company's website.
d) Outline broad principles for charging penal and other charges.

3. Principles for Determining Interest Rates for loans

Interest rate applicable to each loan account, within the applicable range is assessed on a case-specific basis, based on evaluation of various factors detailed below:

a) Tenor of the Loan & Payment Terms: Term of the loan, terms of payment of interest (viz. monthly, quarterly, yearly repayment); terms of repayment of principal etc.;
b) Internal and External Costs of Funds: The rate at which the funds necessary to provide loan facilities to customers are sourced (from banks, etc.), normally referred to as our external cost of funds. This also includes the costs for raising funds such as processing fees, etc. Internal cost of funds being the expected return on equity is also a relevant factor;
c) Internal Cost Loading: The costs of doing business and factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the customer and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer;
d) Credit Risk: 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;
e) Structuring Premium: A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral, or other aspects of transaction structure;
f) Mark-up Considerations: A markup to reflect other costs / overheads to be charged to the loan and our designed margin;

g) Asset Liability Committee's View & Market Dynamics: Recommendations of the Asset Liability Management Committee (hereinafter referred to as the "**ALCO**") on product pricing with respect to changes in market benchmarks, prevailing interest rates offered by peer non-banking financial companies for similar products / services will be taken into consideration. The forecasts and analysis of 'what if scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged.

4. Approach of Risk Gradation

The risk premium attached with a customer/borrower will be assessed, *inter-alia*, based on the following factors:

a) Profile including usage of internal credit scoring models, leveraging traditional approaches like bureau score as well as alternative data sources, etc.;
b) Inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing;
c) Tenure of relationship with the customer, past repayment track record and historical performance of our similar clients;
d) Overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the customer;
e) Nature and value of primary and secondary collateral / security;
f) End use of the loan;
g) Nature and kind of securities / collateral including value of the assets offered as security, if any;
h) Interest, default risk in related business segment;
i) Regulatory stipulations, if applicable; and
j) Any other factors that may be relevant in a particular case.

5. Principle governing Rate of Interest

- Interest rates may be fixed or variable, and may be charged on a flat or reducing balance method.

a) The Company operates with a weighted average ROI of 24% to 28%. Basis customer's overall profile, customer's risk categorization and ticket size, the ROI can range from
   i. 16% to 36% for Business Term Loans > Rs. 10 Lacs
   ii. 18% to 44% for Small Ticket Business Loans below Rs. 10 Lacs
   iii. 12% to 24% for Supply Chain Finance Loans

   The interest rate charged to a customer shall depend on various factors as detailed above primarily ticket size, risk tier, geographical tiering of location of the customer. There is a scope of rate reduction as well rate premium based on the customer's overall profile that shall be exceptionally documented and approved.

b) Interest may be charged daily, fortnightly, monthly, quarterly, or based on the product type, as approved by the designated authority.
c) Interest rates are determined based on the weighted average cost of funds, customer acquisition cost, administrative and operational costs, risk premium, and profit margin.

d) Interest rates / interest type would be intimated to the customers at the time of sanction/ availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
e) The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
f) Interest rates are subject to change based on the situation and at the discretion of management or changes in extraneous cost factors affecting interest rate setting.

6. Penal and other charges

a) Penal Charges - Besides normal interest, the Company may levy penal charges for non-compliance of material terms and conditions of loan contract by the borrower. These additional or penal charges for different products or facilities would be decided by the respective business / product heads. The penal charges shall not capitalised i.e., no further interest computed on such charges and shall be governed by the Board approved penal charges policy of the Company.
b) Other charges/fees - Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, cheque swap charges, late payment charges, legal charges, pre-payment / foreclosure charges, NOC issuance charges, SOA charges etc., would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, documentation charges, GST and other cess would be collected at an applicable rate from time to time, as communicated in the documentation provided. Any revision in these charges would have a prospective effect and will be communicated to the borrower.
c) While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

7. Disclosure of Rate of Interest & Penal charges to the borrower:

The loan amount, annualized rate of interest, tenure, amount of equated monthly instalments shall be disclosed at the time of sanction of the loan. The quantum and reason for Penal Charges shall be explicitly disclosed by the Company to the borrowers in the Financing Documents, including the most important terms & conditions/ Key Fact Statement (KFS) as applicable. Additionally, this information will be displayed on the Company website under Interest rates and service charges. Whenever reminders for non-compliance with the material terms and conditions of the facility are sent to borrowers, the applicable Penal Charges shall be communicated to them. Furthermore, any instance of the levy of Penal Charges and the reason thereof shall also be communicated to the borrowers. This Policy will be available on the Company's website in accordance with the Company’s Fair Practices Code and the guidelines of RBI.

8. Change in Interest Rate:

a) All changes in interest rates and charges shall be affected by the Company in a prospective manner.
b) The Company shall give notice to the borrower/s in the vernacular language, or a language as understood by the borrower in case of any change in the interest rate is affected in any existing loans.

9. **Review of Policy**:

The Policy shall be reviewed annually or more frequently if changes are required in the model, such as additions/ deletions of specific components forming part of the benchmark calculation. The Policy will be reviewed yearly or as deemed necessary by the Board of the Company. Any change or amendment to this Policy shall at all times comply with the applicable laws and RBI master directions.

The ALCO will be responsible for deciding the macro and organizational parameters influencing the benchmarks and interest rates to be offered to the borrowers.