

# Interest Rate & Charges Policy

## Document Version controller

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Reviewed By:	Chief Compliance Officer and Chief Risk Officer
Approved By:	Board of Directors
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# IIFL Finance Limited

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## Interest Rate & Charges Policy

### **Introduction**

IIFL Finance Limited (the 'Company'), in compliance with – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various circulars issued from time to time, has adopted this Interest Rate & Charges Policy ('Policy') to lay out appropriate internal principles and procedures to arrive at benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers for its lending business.

### **Methodology**

The average yields and the rate of interest under each product shall be decided from time to time, giving due consideration to the following factors:

- a) The 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 stakeholder's expectations for a reasonable, market competitive rate of return
- c) Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio
- d) Nature of lending, for example unsecured/secured, and the associated tenure
- e) Nature and value of securities and collateral offered by customers
- f) Subventions and subsidies available, if any
- g) Risk profile of customer i.e. professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- h) Industry trends i.e. offerings by competition

### **Organization Structure**

#### **Board of Directors**

The Board of Directors shall have oversight for the *Interest Rate & Charges Policy*. To ensure effective implementation of the Policy, the Board may delegate the implementation of the Policy and its operational aspects to the respective Business Head and/or ALCO as may be deemed fit.

#### **Asset Liability Management Committee (ALCO)**

ALCO shall be responsible for evaluating and approving the Interest Rate range i.e. the minimum and maximum rate the Company can charge within which loans shall be granted to the customers. Any changes in the Interest Rate range shall be approved by the ALCO and would be put up to the Board in subsequent meeting.

Respective Product Manuals, with the approval of the Business Head, may have their internal pricing policies under the overall framework of Board approved Policy to arrive at the final rate to be charged to the borrower depending on various factors. Changes to product level internal pricing policies, if any, shall be approved by the respective Business Head and any changes beyond the range shall be approved by ALCO.

### **Interest Rate Model**

The model for the type of interest rate on respective products shall be defined in the respective product manuals. The Company shall adopt a discrete Policy which shall mean that the rate of interest for same product and tenure availed during the same period by separate customers may not be standardized but shall vary within a range, depending, amongst other things, the factors mentioned below.

### **Approach for Gradation of Risks**

Risk grading enables the Company to differentiate customers across different risk spectrum and helps in applying risk premium to that customer. The Company shall assign a rating score to all its loans, which shall take into account various factors like the past track record, the financial robustness of the project, security offered, various risks associated with the project like market risk, operating risk and regulatory risk among others and mitigation thereof.

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

1. profile and market reputation of the borrower
2. tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment, group strength for corporate loans
3. nature and value of primary and secondary collateral / security
4. type of asset being financed, end use of the loan represented by the underlying asset
5. interest, default risk in related business segment i.e. market volatility and competitor review
6. CIBIL score of an individual which determines the credit payment history across loan types and credit institutions over a period of time
7. regulatory stipulations, if applicable
8. and any other factors that may be relevant in a particular case

### **Communication to Customers**

The Company shall intimate the borrower the annualized rate of interest at the time of sanction of the loan along with the tenure and amount of EMI apportionments towards interest and principal. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.

The customer shall also be informed about the Policy is available on the Company website and any change in the benchmark rates and charges for existing customers would be uploaded on the website of the Company.

Any changes in the rates and charges for existing customers would also be communicated to them through either e-mail or letter or SMS. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

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.

The Company shall follow the guidelines mentioned in the Fair Practices Code guidelines as issued by RBI from time to time and as adopted by the company through its Fair Practices Code.

Statement of account will be made accessible to the borrowers, through any acceptable mode of communication, as and when requested by the borrower.

At the time of reset of interest rates, the borrowers shall be given the choice to opt for enhancement in EMI or elongation of tenor or for a combination of both options; to prepay, either in part or in full, at any point during the tenor of the loan with applicable charges as per schedule of charges.

Claims for refund or waiver of such charges/penal charges/additional charges would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.

### **Other Charges**

Besides interest, other financial charges like processing fees, cheque bouncing charges, prepayment/foreclosure charges, part disbursement charges, cheque swaps, 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, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. The levy or waiver of these charges for different products or facilities would be decided within the limits prescribed under the policy (Refer *Annexure I*). Any changes in the charges shall be approved by the ALCO and would be put up to the Board in subsequent meeting. Besides the base charges, the Goods and Service Tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. Any fees, charges, etc. which are not mentioned in the KFS, shall not be charged to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

### **Review of Policy**

The Policy shall be reviewed by the Board of Directors annually or more frequently as may be required.

**Annexure 1**

GOLD LOAN								
Processing Charges	Penal / Default Charges #	Mark to Market (MTM) Charges	Stamp Duty & other Statutory Charges***	Auction Charges\$	Overdue Notice Charges\$ (once in 90 days)	SMS Charges	Part-Payment Charges	Pre-Closure Charges
Upto 2 %	0.5% p.m. (6% p.a.)(inclusive of GST)	₹500 (inclusive of GST)	As per applicable laws of the state	₹1500 (inclusive of GST)	₹200 per Notice (inclusive of GST)	₹5.9 per Quarter (inclusive of GST)	NIL	NIL (Minimum of 7 days interest will be charged if loan is closed within 7 days)
BUSINESS LOAN								
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges	Documentati on Charges	Bank Swapping Charges	NeSL Reporting**	Stamp Duty & other Statutory Charges***	Prepayment/Fore closure Charges*	
2% - 9%	2% p.m. (24% p.a.)	Up to ₹ 2500	Up to ₹ 4000	₹ 500	As Applicable	As per applicable laws of the state	0-6 Months- 7%, 7-24 Months- 5%, >24 Months-4%	
PERSONAL LOAN								
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges	NeSL Reportin g**	Stamp Duty & other Statutory Charges***	Prepayment/Foreclos ure Charges*			
2% - 6%	2% p.m. (24% p.a.)	₹ 500	As Applicab le	As per applicable laws of the state	Maximum – 7%			
DIGITAL FINANCE								
Processing Charges	Penal / Default Charges #	NACH / E-andate Bounce Charges	Documentati on Charges	Bank Swapping Charges	NeSL Reporting**	Stamp Duty & other Statutory Charges***	Prepayment/Fore closure Charges*	
Upto 10 %	2% p.m. (24% p.a.)	₹ 500	Upto 3.5%	₹ 500	As Applicable	As per applicable laws of the state	Upto 4 %	
SUPPLY CHAIN FINANCE								
Processing Charges	Stamp Duty & other Statutory Charges***	Penal / Default Charges #						
0.75%-2%	As per applicable laws of the state	2% p.m. (24% p.a.)						
COMMERCIAL REAL ESTATE								
Processing Charges	Penal / Default Charges #	Collateral Evaluation Charges	Prepayment/Foreclos ure Charges*					
Up to 2% of the loan amount approved	0.5% p.m. (6% p.a.)	At Actuals	Upto 4%					
LOAN AGAINST SECURITIES								
Processing Charges	Penal / Default Charges #	NACH / E-Mandate Bounce Charges	Stamp Duty & other Statutory Charges***	NeSL Reporting**				
0.25% to 1%	2% p.m. (24% p.a.)	as per actuals	As per applicable laws of the state	As Applicable				

**LOAN AGAINST SECURITIES (DIGITAL)**

Fees / Charges	Fees / Charges (% / Rs.)		
Processing Fees	<u>Loan amount</u>	<u>Loan Tenure</u>	<u>Processing Fee</u>
	Up to 100,000	1 - 3 years	2.00%
	>1 Lakh – 5 Lakh	1 - 2 years	1.50%
		3 years	2.00%
	>5 Lakh – 1 cr	1 year	1.00%
		2 years	1.50%
		3 years	2.00%
Bounce Charges	Up to INR 2000/- (Per instance)		
Foreclosure / Part payment charges	5% of the amount paid by the customer towards foreclosure / part payment		
Annual Maintenance Charge	INR 999/- or 0.50% of the Limit whichever is higher		
Pledge Creation Charges	INR 500/-		
Pledge Revocation Charges	Up to INR 499/-		
Pledge Revocation charges (without availing loan)	Up to INR 999/-		
Pledge Invocation Charges	Up to INR 2000/-		
Legal Charges	Up to INR 5000/-		
Collection Charges	Up to INR 5000/-		
Commitment Charges on non-utilization of Limit	0.25% p.m. of the unutilized limit for <25% utilization (calculated on daily average utilization on a monthly basis). To be charged on a monthly basis.		
Penal Charges	3%		

# levied on outstanding due amount. Outstanding due amount for this purpose includes the principal outstanding and Interest accrued. Penal charges will not be levied on the outstanding penal due amount

\$ The combined levy of overdue notice charges and Auction charges will be capped at ₹ 1500 per customer loan account

\*Subject to cooling Period. Charged on outstanding principal

\*\* These charges shall be charged annually in accordance with the fee schedule provided by NESL and are subject to change by NESL.

\*\*\* Stamp Duty as per applicable laws of the state

Note:- GST and other government taxes, levies, etc. applicable as per the prevailing rates will be charged in addition to these charges. (if applicable)