

CHARTERED FINANCE & LEASING
LTD. (CFL)

(“NBFC/ B-13.02480”)

SUMMARY OF POLICY

Particular	Details
Policy Name	Interest Rate Policy
Version	V2
Latest Approval/Review Date	20th May, 2025
Review Cycle	Annually
Approver	Board of Directors of Chartered Finance & Leasing Ltd

VERSION HISTORY

Version	Approval	VERSION DESCRIPTION	REGULATORY REFERENCE	Remarks
I	Board Meeting dated 07 th April, 2022	2022	RBI Regulation	Policy adopted by the Board
II	Board Meeting dated 20 th May, 2025	2025	RBI Regulation	Review by the Board

Interest Rate Policy

The Reserve Bank of India (RBI) as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (the Directions) as amended from time to time, and its Guidelines on Fair Practices Code for NBFCs as amended from time to time (RBI Regulations) has directed all NBFCs to Communicate the rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers and make available the rates of interest and the approach for gradation of risks on their website. In compliance with these regulatory requirements and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business. This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions.

I. Objective

To arrive at the benchmark rates to be used for different category of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers

II. Approach for gradation of risk:

The interest rate charged to the borrower shall be based on the following broad parameters:

1. Risk profile of the borrower
2. Cost of borrowing funds – Internal as well as external
3. A mark-up to reflect other costs / overheads to be charged
4. Prevailing Interest rate trends
5. Internal Cost of doing business
6. Interest rate offered by other NBFC's in the industry
7. Other factors include:
 - Profile and market reputation of the borrower including usage of internal credit scoring models leveraging traditional approaches like Bureau Score as well as alternative data sources.
 - Essential nature of the product, type / nature of facility, refinance avenues, loan to value of asset financed.
 - Tenure of relationship with the borrower, 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,
 - Nature and value of primary and secondary collateral / security,
 - Type of asset being financed
 - End use of the loan represented by the underlying asset,
 - Interest, default risk in related business segment,
 - Regulatory stipulations, if applicable,
 - Any other factors that may be relevant in a particular case.

III. Interest Rate Calculation

The pricing for each of these products is arrived at by taking into consideration the following factors to arrive at the interest rate to be charged from the customers:

Sr. No	Factor	Description
1.	Average Cost of Funds/ Capital:	The Company borrows fund through Bank Term loans, Non-Convertible Debentures, Commercial paper and subordinate debt, etc. from the investors. Additional to the borrowing, the Company also has equity portion and the cost of such equity is considered to arrive at the weighted average cost of capital. The weighted average cost of borrowed funds as well as costs incidental to those borrowings, is arrived at after taking into consideration the average tenure, market liquidity and refinancing avenues. The cost of raising such funds and servicing the equity capital is also included in the cost of funds.
2.	Operating Cost	It includes employee expenses, fixed and variable costs, operations costs, technology expenses, expenses related to documentation, sourcing and recovery, etc.
3.	Margins	Margin is the return expected by the company on its assets. The Company expects a ROA of 3-4% in normal course of business which may vary from this range depending upon the exceptional business scenarios.
4.	Risk Premium	Based on risk gradation of the customer, credit/ default risk premium is computed on a case to case basis. This will also cover the risk pertaining to nature and value of collaterals, overall risk profile of the customer, industry trends etc.
5.	Negative Carry on Investment	The Company keeps liquidity buffer in the form of investments into liquid funds in compliance with RBI guidelines and to manage liquidity risk and has to bear negative carry on those investments too.

IV. General Terms

1. The rate of interest for the same loan product and same tenor availed during the same period by different customers need not to be standardized as it can vary for different customers based on perceived risk associated, CIBIL Score, security vintage/ Age, LTV, geographical location and other underwriting parameters.
2. The interest will be charged reducing balance method. The interest rate could be up to Thirty Six percent.

3. The interest could be charged on Monthly /quarterly/ Half yearly or any other rests for different products/segments as the ALCO decides in accordance with applicable rules and regulations. Specific terms in this regard would be specified through the relevant product manuals and/or loan agreement.
4. The rate of interest shall be annualized rate.
5. Interest rates 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.
6. Besides normal interest, the Company may levy additional / penal charges for delay or default in making payments of any dues.
7. The changes in the interest rates and related charges would be prospective in effect and intimation of change of interest or other related charges would be given to customers in a mode and manner deemed fit.
8. Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges/penal charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account, customer care, credit assessment/ Valuation Charges, Legal Charges, cash handling, PDC/ACH mandate registration/ lodgment/ handling or for any other service provided by the NBFC or cost incurred by the NBFC for the provision of services related to the loan granted to the customers will be charged separately. Besides these charges, stamp duty, Insurance premium, GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be prospective in effect. These charges for different products or facilities would be decided as per policy on penal & other charges.
9. These fees and charges may vary based on asset financed, exposure limit, expenses incurred at the point of sale, customer segment and generally represent the costs incurred in rendering the services to the customer.
10. Any Such fees and charges shall be communicated to the customer either by way of printing on sanction letter or by any other mode of communication.

V. Review of Policy

The Company would review and refine the Policy annually, based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.

If at any point a conflict of interpretation / information between this policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, this policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.