

DOCUMENT CONTROL

Policy Name	Interest Rate Policy
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Reviewed by	Chief Executive Officer
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Ownership	Credit & Risk Department

Version	Description (First Release/Revision/ No Change)	Created by	Reviewed by	Approved by	Date of Board Approval
1	First Release	Head Risk & Credit	Chief Executive Officer	Board of Directors	02 May 2019
2	Revised	Head Risk & Credit	Chief Executive Officer	Board of Directors	30 March 2022
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Statement of Confidentiality

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CHANGES MADE IN THE CURRENT VERSION SINCE THE LAST APPROVED POLICY

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1.	Structured Computation Methodology added	Establishing Interest Rate Policy – Computation Methodology	4
2.	Explicit APR disclosure statement	Establishing Interest Rate Policy – APR Statement	6
3.	Prepayment/Foreclosure charge specified	Other Charges	7
4.	Cooling-off / Look-up period stance defined	Other Charges	7
5.	Commitment fee introduced	Other Charges	7

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INTEREST RATE POLICY

Reserve Bank of India (RBI) vide its Master Direction Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 advised that Boards of Non-Banking Finance Companies (NBFCs) to adopt appropriate interest rate models taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates.

Keeping view of the RBI Guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out by the Board of Satin Finserv Limited (the Company). This policy should always be read in conjunction with RBI Master Directions, guidelines, directives, circulars and instructions. The Company will apply industry best practices as long as such practices do not conflict with or violate RBI guidelines.

The policy of the Company for determining Interest Rates, Processing Fees and Other Charges is as follows:

1. Establishing Interest Rate Policy:

- 1.1. The rate of interest shall be arrived at after taking into account relevant factors, such as cost of funds, operating expenses, margin and risk premium. The rate of interest to be charged as per the attached annexure 1. Further the Board-approved interest rate range may be revised from time to time based on changes in cost of funds, operating expenses, regulatory requirements, or market conditions, with appropriate Board approval
- 1.2. Annual Percentage Rate (APR), which is the total annual cost of borrowing, is calculated based on the rate of interest, Insurance (actual as per age), Loan Processing Fees ,Commitment Fees, Documentation charges & CERSAI charges
- 1.3. **Periodicity of Interest:** Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications thereto as may be agreed by and between the Company and the customer, in writing.
- 1.4. **Computation Methodology** - The Company follows a structured, risk-based interest rate determination framework, ensuring transparency, consistency, and alignment with regulatory expectations and market practices. The Rate of Interest (ROI) applicable to each loan account shall be determined within the Board-approved interest rate range, based on the aggregation of the following components:

- 1.4.1. **Cost of Funds (CoF)** - The weighted average cost incurred by the Company for sourcing funds, including interest, issuance expenses, and cost of equity, as applicable.

$$\text{CoF} = \frac{\sum(\text{Outstanding Borrowings} \times \text{Applicable Interest Rate})}{\text{Total Borrowing}}$$

Includes:

- Interest cost on term loans, NCDs, CPs, ECBs, WCDL, etc.
- Fund-raising related costs (rating fees, trustee fees, IPA charges)
- Cost of equity (where applicable, for long-term pricing calibration)

- 1.4.2. **Operating and Overhead Costs (OC)**

Costs incurred towards loan origination, servicing, employee expenses, technology, collection, and administrative overheads.

$$\text{OC} = \frac{\text{Total Operating Expenses (annualized)}}{\text{Average Loan Book}}$$

Includes:

- Employee costs
- Origination, servicing & collection costs
- Technology, compliance, administrative overheads
- Sales & marketing expenses

1.4.3. Risk Premium (RP)

An appropriate risk premium determined based on the borrower's credit risk profile, which may include parameters such as credit score, probability of default, borrower segment, ticket size, geography, sourcing channel, tenor, and product type.

$$\text{RP} = \text{Expected Credit Loss (ECL)} + \text{Capital Charge for Unexpected Loss}$$

[Where: $\text{ECL} = \text{Probability of Default (PD)} \times \text{Loss Given Default (LGD)}$]

Risk premium varies based on:

- Credit score / internal risk grade
- Borrower segment (new-to-credit, repeat, salaried/self-employed)
- Ticket size & tenor
- Geography & sourcing channel

Higher-risk borrowers attract higher RP within the approved ROI range.

1.4.4. Target Return / Margin (TM)

A margin sufficient to meet the Company's target return on assets and capital, taking into account growth objectives and sustainability.

$$\text{TM} = \text{Target ROA} + \text{Capital Adequacy Buffer}$$

Reflects:

- Required return on assets
- Growth sustainability
- Capital consumption and strategic objectives

1.4.5. Final ROI Determination

The final ROI shall be arrived at after considering the above components and shall remain within the Board-approved pricing range applicable to the relevant product category.

$$\boxed{\text{ROI} = \text{CoF} + \text{OC} + \text{RP} + \text{TM}}$$

Any deviation from the standard pricing framework, if permitted, shall be approved by the appropriate authority as per the delegated authority structure and duly documented.

The Company shall disclose the Annual Percentage Rate (APR) in the Key Fact Statement (KFS) in the format prescribed by RBI, computed on a reducing balance basis, inclusive of all mandatory charges.

2. Other Factors to be Considered:

The interest rate applicable shall also be assessed on a case specific basis, based on evaluation of various factors, which broadly include:

- Structure of the product
- Interest rate trend prevailing in the market
- Product/Loan specific costs
- Company's cost of borrowings
- Upfront charges
- Credit and default risk in the related business segment
- Ticket size of loan

The Reserve Bank of India (RBI) has not stipulated a maximum cap on interest rates. However, while determining the applicable interest rate, the Company shall ensure that the rate remains reasonable and aligned with prevailing market practices.

The Company may charge a rate of interest for loans within the specified range considering the factors mentioned herein above.

Charging interest at fixed rate or floating rate would be decided basis product category.

3. Other Charges

Besides interest, other financial charges like processing fees, cheque bouncing charges, prepayment/foreclosure charges, penalty charges, late fees charges, commitment fees, charges on various other services like issuing letters ceding charge on assets/ security etc. would be levied by the Company wherever considered necessary (refer Annexure 1).

3.1. Prepayment / Foreclosure Charges and Cooling-off Period

3.1.1. Prepayment / Foreclosure of Loans

The Company permits prepayment or foreclosure of loans subject to the terms specified in the sanction letter and loan agreement. Prepayment or foreclosure charges, calculated at 5% of the outstanding principal balance, shall be applied in a transparent and non-discriminatory manner, taking into consideration the loan tenor and the remaining loan amount. The applicable charges, including the rate or amount thereof are clearly disclosed to the borrower at the time of sanction and forms a part of the loan documentation.

Prepayment / Foreclosure charges shall be levied in compliance with applicable RBI directions. No prepayment penalty shall be charged where expressly prohibited under RBI regulations.

3.1.2. Cooling-off / Look-up Period

In line with the principles of transparency, fairness, and borrower protection as set out in the Company's Fair Practices Code, the Company ensures that borrowers are provided with adequate opportunity to understand the terms and conditions of the loan through physical interaction, pre-sanction communication, and execution of loan documentation.

Considering the current nature of the Company's lending operations, which are not purely digital and conducted through physical documentation in certain instances with in-person borrower engagement, a cooling-off / look-up period is not presently applicable to the Company's loan products.

The Company shall, however, review and introduce a cooling-off / look-up period, wherever applicable, in accordance with any directions, guidelines, or regulatory expectations issued by the Reserve Bank of India, including those arising from customer protection or digital lending frameworks, as and when such provisions become applicable to the Company.

Any such introduction shall be approved by the Board of Directors or an authorized committee, incorporated into the relevant policies and the Fair Practices Code, and appropriately disclosed to borrowers through the sanction letter, loan agreement, and other applicable borrower communication documents.

4. Disclosure

As per the extant regulations, the following disclosures shall be made to the borrower:

There shall be appropriate disclosure of the rate of interest in the application form and communicated in the key fact statement, sanction letter or loan agreement.

Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement or sanction letter. Prior notice of changes in interest rate shall be given to the borrowers.

5. Amendments to the Interest Rate Policy

Amendments to the Interest Rate Policy will not be effective, unless they have been approved and authorized by the Board of Directors of the Company (or any committee/ authorized officials of the Company duly authorized in this behalf).

The policy shall be reviewed annually or earlier if required by RBI regulatory or internal/external changes.

The Company shall adhere to this Interest Rate Policy in its entirety and implement it in a manner consistent with the nature, scale, and scope of its business operations.

This Interest Rate Policy shall be hosted on the Company's website for public access in accordance with RBI Directions

Annexure – 1

APPLICABLE INTEREST RATE AND CHARGES

Sustainable & Emerging Businesses (SEB) & Micro Enterprise Group (MEG)

S.No	Particulars	Charges/Rate		
		SEB	MEG	Business Advance Plus*
1	ROI	15% to 20 %	22% to 30%	14% to 20%
2	Documentation Charges (Incl. GST)	Rs. 25000/-	Rs.2499/- (including GST)	Upto 20000/- + applicable taxes
3	Stamp Duty	As per Applicable State Law	As per Applicable State Law	As per Applicable State Law
4	Late Payment Charges	3% P.M.	2 % P.M.	Upto 3 % P.M.
5	Bank Charges	As per actual	NA	NA
7	Cheque Bounce/ECH or ACH dishonor Charges	Rs. 750/- per instance/bounce	Rs.500/- + applicable Taxes	Upto Rs.500/- + applicable Taxes
8	Cheque/ACH/ECH Collection Charges	Rs. 500/- per instance	NA	NA
9	Bank/Cheque Swap/Replacement charges	Rs. 500/- per instance	Rs.500/- + applicable Taxes	NA
10	Foreclosure Charges	Business Loans – Max4%	5% + applicable taxes	upto 5% + applicable taxes
11	Foreclosure Value Statement Charges	Rs. 500/- per instance	NA	NA
12	Reimbursement of Collection/Traveling/Legal/Recovery/Parking/Repossession/Other Charge	As per actual expenditure	NA	NA
13	Collection follow up Tele Calling fees	Rs. 100/- per instance	NA	NA
14	Field Visit fees for Collection follow up	Rs. 500/- per instance	NA	NA
15	Collection Communication Letter fees	Rs. 200/- per instance	NA	NA
16	Cash Collection Charge	Rs. 500/- per instance	NA	NA
17	Duplicate/Additional NOC/ SOA / LOD	Rs. 1000/- per instance	Rs.300/- + applicable taxes	NA
18	Duplicate Repayment Schedule	Rs. 500/- per instance	NA	NA

19	EMI Default Charges	Rs. 250/- per EMI for each completed month	Rs.500/- + applicable taxes	NA
20	Loan Re-schedulement Charge	As Applicable	Rs.2118 + applicable taxes	NA
21	Loan cancellation/rebooking charges	Business Loans – Rs 2500/-	Rs5000/- + applicable taxes	NA
22	Legal & Valuation charges	As per case	NA	NA
23	CERSAI charges	Rs. 500/- per instance	Rs. 50/- + applicable taxes for loan upto Rs.5 Lacs Rs.100/- + applicable taxes for loan above Rs.5 Lacs.	NA
24	Processing fees/ Charges	Maximum 4%	Maximum 3% + applicable taxes	Maximum 2% + applicable taxes
25	Commitment and Due Diligence charges	Maximum 4%	Rs. 1200/- + applicable taxes	NA
27	Part Prepayment charge (applied on POS)	NA	5% + applicable taxes	NA
28	Retrieval of copy of documents	NA	Rs.839/- + applicable taxes	NA

(*Business Advance Plus formerly known as Wholesale Lending)