

IREP Credit Capital Private Limited

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Document Name	Interest Rate Policy	Version	IREP/POL/7
Prepared By	Treasury	Recommended By	CEO, CBO & CRO
Approved By	Board of Directors	Reference	Scale Based Regulations
Review Tenure	1 Year	Next Review Date	April 2027
Illustrative Review Trigger	<ul style="list-style-type: none"> ● Changes in Business strategy ● Changes in Market Scenario ● Changes in Product Features ● Changes in Risk Management ● Changes in Statutory laws 	Review/Amendment Responsibility	Risk, Business and Treasury

Amendment History:

Sr. No	Section	Old content	Revised/Amended	Effective Date

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a. Introduction and Objective:

As per Reserve Bank of India guidelines, (Non-banking Financial Companies Responsible Business Conduct) Directions 2025 (“RBI Directions”) dated November 28, 2025, the Board of NBFCs with customer interface shall approve and adopt an Interest rate model, taking into account relevant factors such as cost of funds, margin, risk premium etc and accordingly determine the rate of interest to be charged for loans and advances.

This Interest Rate Policy (“Policy”) adopted by the Board of IREP Credit Capital Private Limited (‘IREP’ or ‘Company’), is based on its policy to promote its philosophy of dealing with customers in a transparent and open manner.

The objective of this Policy is to arrive at the 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 to be charged from customers.

In order to ensure effective implementation of the Policy:

- The Board adopts the policy and is responsible for overall implementation of the Interest Rate Policy
- ALCO is entrusted with various responsibilities by the Board - including but not limited to deciding on the revision in Floating Benchmark Lending Rate (FBLR)
- Business and product teams may be allowed to design their own pricing policy, within the overall interest rate framework, subject to approval of ALCO.

b. Base for defining the Floating Benchmark Lending Rate (FBLR)

The interest rate applicable will be benchmarked as under:

- **Cost of Borrowings** - The rate of interest which is charged is affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our internal cost of borrowings. IREP borrows from a mix of Banks and NBFCs through issue of Non Convertible Debentures, Term Loans etc. There are a number of factors that the lenders consider before arriving at the cost of funds that would be levied on the company i.e. Company’s Rating, Internal Benchmark Lending Rate, Spread over the Benchmark lending rate , Interest rate Scenario, Tenor of the facility etc.
- **Operating Cost** - The cost of operations includes manpower cost, infrastructure cost and other administrative costs. Most of these costs are fixed costs and are committed on the basis of budgeted volume of operations.

Also the cost of servicing the customer is relatively higher due to the customer segment being spread out in rural and semi urban locations. Loan Origination requires multiple physical visits to the customer’s location for proper income assessment, collateral verification etc. Adequate system and process is necessary which entails investment into resilient technology platforms and strong operational processes. Since these costs come down with increasing volumes and efficiencies, the pricing factors the estimated cost over a reasonable period of time.

- **Credit costs** - are relatively higher in our customer segment due to the informal nature of the business, lower networth of the customers and local market dependency which puts pressure on cash flow in emergency situations leading to delinquencies. While the eventual credit losses would always be lower given the secured nature of loans, there is a necessity to build a strong provision base given the slightly vulnerable nature of our borrowers. Such borrowers would go through skews in their cashflows, which may lead to higher credit costs (ECL provisions) than normal, which needs to be factored into the loan pricing.
- **Expected Profitability (RoA)** - is the minimum return expected by the company on its assets. This would need to be tailored towards the required capital to grow the business and also give an appropriate return to the shareholders over a period of time.
- **Liquidity Premium** - The Company should maintain adequate liquidity at all times to honor its disbursement & debt obligations. Accordingly, the liquidity cost shall be an important element to be considered for determining the interest rate.

c. Lending Rate Range

Rate of Interest

The annualized Rate of Interest (ROI) to be charged to the customers, at the time of sanctioning loans, shall be in the range as mentioned below:

Loan Type	Rate of Interest (ROI) p.a.
MSME Loans / Loans against Property	14.5% (floor) to 21% (Cap)

The Company will ensure that every product whether existing or new shall have a range for the interest rate to be charged. Such range of the interest rate will be duly approved by the ALCO while approving the product itself and can be modified from time to time

Fixation of Range and the evaluation of the same will be the responsibility of the ALCO and will be backed by adequate logic, market practice, cost-benefit analysis, etc. `

d. Risk-based Pricing Approach (Spread on the FBLR)

The rates of interest for the same product and for the same tenor availed during the same period by different customers could vary due to the spread applied on the FBLR. The company has adopted a very clear approach towards categorising the customers based on their risk rating. The final pricing would depend on various factors, which the Company believes would have an impact on the risk profile of the customer, which includes (but not limited to) the following:

1. Borrower's profile including age,
2. Number of dependents,
3. Collateral quality and the security cover available
4. Type of employment and length of service,
5. Primary and secondary income,
6. Vintage and growth in the business,
7. Past repayment track record,
8. Past association with the Company,
9. Credit score etc.
10. Profile and market reputation of the borrower / promoter / principal shareholder
11. The Company shall not discriminate in extending Credit Facility to physically/visually challenged applicants on grounds of disability.

e. Reset of Floating Rate interest

Reset Frequency: Half Yearly

(The reset dates shall be April 1 and October 1 of each year and will be applicable to loans that have completed six months from the date of disbursement)

- At the time of sanction, the company shall clearly communicate to its borrowers about the possible impact of change in benchmark interest rate (on a half yearly basis) on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- For all the existing borrowers who have taken loan floating rate basis, IREP shall at the time of reset of interest rates provide the option to its borrowers to switch over to a fixed rate. During the tenure of loan, a borrower is allowed maximum one time in a financial year for the switch.
- The following options shall be given to the borrower in the event of reset of floating rate of interest:
 - a. Enhancement/ reduction in EMI;
 - b. Elongation/ contraction of tenor;
 - c. Combination of both options;
 - d. Prepayment in part;
 - e. Prepayment in full.
 - f. The Borrower shall also be informed that if the borrower does not exercise any option/revert, then default option of elongation of the loan tenor would be automatically applicable.
- The company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.
- The company shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The company shall ensure that the statements are simple and easily understood by the borrower.
- The company shall send all existing borrowers' communications through appropriate channels, intimating the options available to them.

f. Other Charges

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, rescheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., would be levied by the Company wherever considered necessary.

Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time. These charges would be decided upon by respective business / product heads in consultation with Operations, Finance and Legal Heads.

All such charges and the reason for levy shall be clearly mentioned on the website as well in the KFS issued to the customer.

The above charges (other than statutory charges and contingent charges) shall be considered while calculating the Annual Percentage Rate (APR) which shall be disclosed to the borrowers in the KFS.

g. Exceptional Case Handling

Exceptions in case of rate other than the Rate Range mentioned above will need to be approved by the MD & CEO which will need to be ratified in the subsequent ALCO.

MIS will be presented to the ALCO of all such exceptional cases on as and when basis.

The Policy shall be reviewed as and when required due to changes required in the model, for example any addition/deletion of a particular component forming part of benchmark calculation.

h. Communication and Disclosure

The Company shall, along with the disclosures prescribed under applicable laws, ensure the following:

- a) Appropriate disclosure of rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of customers in the application form and the sanction letter. This should also be available on the website of the Company, if any.

- b) The annualized rate of interest shall be disclosed to the customer at all times including at the time of sanction or availing of the loan and the EMI apportionments towards interest and principal dues.
- c) APR shall be communicated explicitly in the sanction letter, KFS as well as in the loan agreement.
- d) Any change in the interest rate or other charges shall be made prospectively with mutual consent and this condition shall be adequately disclosed in the loan agreement.
- e) Any revision/change in the interest rate/other charges would be affected prospectively only with the customer's consent.

i. Review of the Policy

The Board shall periodically review the lending rates based on various factors and situations prevailing at the time of such review, including market volatility and cost of funds.

The revised FBLR as reviewed and determined by the ALCO Committee, shall be implemented by the Company, prospectively.

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