Interest Rate Policy

Chirag Credit Private Limited, is a Non-Banking Financial Company ("NBFC"). The Company offers loan products and other financial facilities to its customers like Personal Loan, Education Loan, Two-wheeler Loan, Unsecured Business Loan, Equipment Loan, Bill Discounting and other customised loans and facilities.
In compliance with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (the "Scale Based Regulations") issued by the Reserve Bank of India ("RBI"), the Company is required to formulate a Board approved interest rate model to determine the rate of interest to be charged to borrowers.

The objective of this Interest Rate Policy ("Policy") is to lay down the interest rate model of the Company outlining the various components of the interest rate model of the Company, as required in the Scale Based Regulations and other charges for different customer segments and to arrive at the final rates charged to customers.

Interest Rate Model

The interest rate offered to customers shall take into account the following component:

Negative Carry-The Company keeps a liquidity buffer in the form of investments into liquid funds to maintain regulatorily prescribed liquidity coverage ratio ("LCR") as mandated under the Scale Based Regulations, and to manage liquidity risk. The Company also keeps funds in fixed deposits as security for its pass-through certificate investments, thus bearing negative carry on those investments.

Cost of Funds / Weighted Average Borrowing Rate ("WABR")- The Company raises funds through Term Loans, Non-Convertible Debentures, Commercial Papers, Pass Through Certificates, etc. from various investors. The WABR of raising such funds is considered for this component. This component is calculated as the weighted average rate of interest payable on all outstanding borrowings of the Company.

Operating Costs-All operating costs associated with providing the Loan Products, including:

- Sourcing costs, customer onboarding costs, debt management costs, employee expenses, tech costs, etc.
- Costs incurred by the Company for raising funds in the form of processing fees, brokerage to source funds, rating fees, trusteeship fees, IPA commission on commercial papers, exchange listing fees, stamp duty, etc. This component might be different for each kind of borrowing.
- The Company has ensured that the costs of providing those services which are separately recovered by way of service charges to customers do not form part of this component

Tenor Premium-This cost arises from loan commitments with longer tenor. The tenor premium is uniform for all Loan Products for a given residual tenor.

Credit Risk Premium-The credit risk premium charged to the customer representing the default risk arising from loan sanctioned will be arrived at based on an appropriate credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, and collateral risk premium. The credit risk premium is therefore calculated to cover the potential credit loss risk. The judgment of the credit costs of customer segments is compared against actual and anticipated performance on an ongoing basis.

Business Strategy Premium-The component shall be arrived at taking into consideration the business strategy, market competition, interest rate type (fixed vs floating) and loan product.

Expected Return on Assets-The Company proposes to use expected return on assets corresponding to each Loan Product in its interest rate model, to ensure sustainability of its business operations, while ensuring the interest rates charged to customers are fair, reasonable and transparent.

Approach for gradation of Risk

The rate of interest for same product and same tenor availed during same period by customers may be different from customer to customer .The risks shall be perceived depending on customer profile ,bureau score ,size and nature of customers business ,geography ,historical behaviour of similar customers ,credit and default risk in the related business segments ,nature and value of collateral ,ticket size of the loan ,tenure of the loan, market conditions etc.

The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the managements perceived risk on a case-to-case basis. Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and review of market conditions including other market players.

Interest Rate Fees and Charges

While the company's borrowings are expected to have a mix of fixed and floating rate of interest, the company has chosen to offer fixed rate of interest to the company's borrower. The company may however lend at floating rate of interest to the customer /borrower on case -to -case basis subject to approval by ALCO.

Type	**Minimum**	**Maximum**
Unsecured Loans	15%	30%

Interest rate range mentioned above are indicative and on annualised basis. Final Rate of interest to be charged to the borrower shall depend on risk category of loans, collateral type etc.
In addition to interest rate, the company also charges certain fees /Charges as mentioned in schedule of charges of the company.
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Revision of the Benchmark Rates and Lending Rates

The Benchmark Rate (including its methodology of calculation) and lending rates are subject to review from time to time depending on cost of borrowings of the company and market volatility. Any revision in the Benchmark Rate or Pricing range shall be decided by ALCO.

Communication Framework

1.Annualised rate of interest shall be intimidated to the customers at the time of sanction /availing of the loan and the equated instalment apportionment towards interest and principal dues shall be made available to the customer.

2.Interest Changes would be prospective in effect and intimation of change of interest, if any or other changes would be communicated to the customer.

3.Intimation of change of interest or other changes would be communicated to customers in a manner deemed fit as per terms of the loan documents. Any revision in interest or other changes would be with perspective effect.

4.Appropriate disclosure regarding this Interest Rate Policy and schedule of Charges shall be made on company website. All other regulatory changes in this regard will stand updated in the policy from time to time.

Personal Loan

The Company charges a fixed interest rate to Personal Loan customers. This interest rate does not change during the tenure of the loan. The rate of interest charged to each customer is computed by adding the values of all seven components of the Interest Rate Model as mentioned below:

1. WABR
2. Negative Carry
3. Operating Costs
4. Tenor Premium
5. Credit Risk Premium
6. Business Strategy Premium
7. Expected Return on Assets

The final interest rate charged to a customer will be equal to:

Rate of Interest charged to the customer = WABR + Negative Carry+ Operating Costs + Tenor Premium+ Credit Risk Premium + Business Strategy Premium+ Expected Return on Assets.

WABR, Negative carry, Operation Costs, Expected Return on Assets, and

Tenor premium remains constant and do not change on a customer basis.

The credit risk premium will be determined on the basis of the risk

Gradation. Further, concessions to the Business Strategy Premium may be offered to certain customer segments, as determined by the Pricing Committee, from time to time.

To address the exceptional cases where a customer opts to exit the top-up personal loan during the defined cooling-off period with the intent of reverting to their original loan arrangement, the Company may allow the reinstatement of the original loan (upon re-payment of the top-up loan amount, and proportionate charges, if any), and in such cases where the customers have opted to revert to the original loan arrangement, the rate of interest applicable to the original loan shall continue to apply.

Corporate Loan

The Company charges a fixed interest rate to Corporate Loan borrowers. This interest rate does not change during the tenure of the loan. The rate of interest charged to each customer is computed by adding the values of all seven components of the Interest Rate Model as mentioned below:

1. WABR

2. Negative Carry

3. Operating Costs

4. Tenor Premium

5. Credit Risk Premium

6. Business Strategy Premium

7. Expected Return on Assets

The final interest rate charged to a borrower will be equal to:

Rate of Interest charged to the borrower = WABR + Negative Carry+ Operating Costs + Tenor Premium+ Credit Risk Premium + Business Strategy Premium+ Expected Return on Assets

Credit risk premium will vary based on the risk categorization of the borrower. The credit risk premium charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer.

Based on the interest rate model, as aforesaid, the maximum interest rate charged to the borrowers for Corporate Loans shall be as mentioned.

Risk Gradation Parameters for Credit Risk Premium

The Credit Risk Premium for Personal Loan is calculated for different customer segments and collateral types (as applicable) to cover the potential credit loss risk associated with them. It is assessed based on the following factors :

- Credit and default risk
- Historical performance of similar homogeneous clients
- Profile of the borrower
- Repayment track record of the borrower
- Credit Bureau Score
- Geographic location
- Location delinquency
- Customer Indebtedness (other existing loans)
- Regulatory stipulations

For Corporate Loans, the Company shall charge credit risk premium on the basis of Internal Credit Rating Model based on business and financial risk parameters and External Credit Rating.

Further Internal Credit Rating Model is developed based on the following factors:

(a) Business Risk

(b) Financial Risk

(c) Market Perception

(d) Ownership and Parentage.

The above factors may be reviewed by the Company, from time to time. The credit risk premium charged to each customer shall be based on the aforesaid gradation of risk, to ensure risk-based pricing.

Other Fees and Charges

Penalty Charges

(a)**Personal Loans -**The company will levy EMI Penalty charges for any delay or default in making timely payments of EMI dues. The company charges EMI Penalty charges only of the portion of EMI under default.

(b)**Corporate Loans**: In case of Corporate Loans, the Company may charge penal charges for non-payment of any amount due and payable pursuant to the loan documents, non-compliance with the terms of the loan documents or other event of default, as follows

Event	**Penal Charges**
Non-payment of any amount due and payable pursuant to the loan documents, on the relevant due date	Will be levied on the amount overdue (principal and interest) upto 3% per annum, for such period of default as stated above.
Non-compliance of any other terms of loan documents, including but not limited to breach of any covenant / undertaking / representation / warranty/ security creation	Will be levied on principal outstanding upto 3% per annum, for such period of non-compliance as stated above.
Any other event of default (howsoever described in the loan documents & sanction letter).	Will be levied on principal outstanding upto 3% per annum, for such period of non-compliance as stated above.

*Applicable taxes, and other cess would be levied on such charges.

The customer has the option to foreclose or make part prepayment anytime during the tenure of the loan.

Processing Fees / Foreclosure charges:
(a) Personal Loan: The Company shall charge processing fee depending on the loan amount being disbursed to the customers.

b) Corporate Loan: The Company shall charge processing fee depending on the loan amount being disbursed to the customers.

Adherence to Fair Practices Code

The Company strictly adheres to all applicable regulations, and ensures that its policies and practices align with regulatory expectations and are designed to ensure transparency, fairness and full disclosure to customers: In this regard, the Company ensures:

(a)Full disclosure: The rate of interest and approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. All penalties charged to customers for late repayment shall be outlined in bold in the loan agreement. Further, the quantum and reason for penalty charges shall be clearly disclosed by the Company to customers in the loan agreement and in the Key Facts Statement. Whenever reminders for non-compliance of material terms and conditions of the loan agreement are sent to customers, EMI penalty charges shall be communicated.

(b) Annualized Rate of interest: The rate of interest made available to customers is the annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

(c)Interest Levy Date: The Company charges interest on all its Loan Products from the actual date of disbursement to the customer, not from the loan sanction date, agreement signing, or cheque issuance. In the case of loans being disbursed by cheque /DD, interest shall be charged from the date of handover of cheque /DD. This ensures customers are billed only for the period in which they have access to the funds.

(d)Pro-Rated Interest Calculations: Interest on all Loan Products is calculated on a pro-rata basis for any partial-month loan disbursal or repayment, ensuring that interest is charged only for the period the loan is active. Interest is only charged on the principal outstanding.

(e) Loan Terms and Disclosure: All loan terms, including the loan amount, annualized Rate of Interest, EMI Penalty Charges, and other relevant charges, are clearly detailed in the Sanction Letter, Key Fact Statement (KFS), and Loan Agreement. This ensures complete transparency on costs associated with the loan.

(f) Communication of Changes in Rates or Charges: Any updates to interest rates or Penalty Charges for existing customers are communicated promptly through electronic or other forms of communication, keeping customers fully informed. These communications are done in a language understood by the customer.

(g) Prospective Changes: Any changes in interest rates or charges are applied only on a prospective basis, safeguarding customers from retroactive alterations: -

(a) At the time of sanction, the Company clearly communicates to the borrowers about the possible impact of change in benchmark interest rate 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 is communicated to the borrower well in advance, through notifications sent by SMS, or such other means decided by the Company, from time to time.

(b) At the time of reset of interest rates, the Company provides borrowers the option to switch over to a fixed rate.

(c) At the time of reset of interest rates, the borrowers are also be given the choice to opt for (i) enhancement in EMI, or elongation of tenor or for a combination of both options and (ii) to prepay, either in part or in full, at any point during the tenor of the loan.

(d) The Company ensures that the elongation of tenor in case of floating rate loan does not result in negative amortization.

(e) The Company shares with borrowers a statement at the end of each quarter which enumerates the rate of interest / annual percentage rate for the entire tenor of the loan.

Review or amendment of the policy

The policy shall be amended or modified with the approval of the Board. The Policy shall be reviewed by the Board on an annual basis.