

POLICY ON INTEREST RATE AND CHARGES-DIGITAL LENDING

1. INTRODUCTION:

The Reserve Bank of India ("RBI") vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 has stipulated at Chapter VII - Fair Practices Code for all applicable Non-Banking Financial Companies ("NBFCs") and has directed all NBFCs to lay down appropriate internal policies and procedures in determining rates of interest, processing fees, other charges and display the rates of interest and the approach for gradation of risks on their website.

The objective of adopting and implementing this policy is to institute fair and transparent dealings in the lending business in accordance with the aforesaid regulatory requirements and the Fair Practices Code adopted by the Rockland Finstock Limited (hereinafter referred to as "RFL" or the "Company").

The said Interest Rate and Penal Charges Policy broadly outlines the Interest Rate Model, Applicable penal charges in case of delay in repayment of loan and the Company's approach of risk gradation in this regard.

This Policy also aligns with RBI instructions on Key Fact Statement (KFS), transparency in digital lending, and customer protection measures as applicable from time to time.

2. OBJECTIVE:

The main objectives of this Policy are to:

- a. Ensure that interest rates are determined in a manner as to ensure long term sustainability of business by taking into account the interests of all stakeholders,
- b. Develop and adopt a suitable model for calculation of interest rate;
- c. Enable fixation of interest rates which are reasonable: both actual and perceived;
- d. Ensure that computation of interest is accurate, fair and transparent in line with regulatory guidelines and market practices;
- e. Charge differential rates of interest linked to the risk factors as applicable;
- f. Decide on the principles, methodology and approach of charging spreads to arrive at final rates charged from customers.

3. REVIEW AND APPROVAL OF THE POLICY:

The Company has adopted the Policy on Interest Rate and Penal Charges taking into account relevant factors such as cost of funds, margin and risk premium and determining the rate of interest to be charged for loans and advances. Any revision in the Policy shall be reviewed by the relevant internal units and approved by the Board of Directors.

This Policy shall always be read in conjunction with extant RBI guidelines, directives, circulars and instructions.



4. DISCLOSURES:

As per extant regulations and in terms of this Policy, the following disclosures shall be made:

4.1 The rate of interest and the approach for gradation of risks and the rationale for charging different rates of interest to different categories of borrowers shall be disclosed by the Company to the borrower or customer and will be communicated explicitly in the sanction letter.

4.2 The rate of interest and the approach for gradation of risks shall also be made available on the website of the Company. The information published on the website shall be updated whenever there is a change in the rate of interest.

4.3 The annualized rate of interest shall be disclosed so that the borrower is aware of the exact rates that would be charged in relation to the loan amount.

4.4 Any change in the rate of interest or other charges, as applicable, shall, be made prospectively and the same shall be adequately disclosed in the loan agreement, sanction letter and Key Fact Statement ("KFS").

4.5 The quantum and reason for Penal charges shall be clearly disclosed to the customers in the loan agreement, Key Fact Statement, in addition to rate of interest and other charges being displayed on the Company's website.

4.6 The Company shall provide a Key Fact Statement (KFS) to all borrowers prior to execution of the loan agreement, containing APR, all-in-cost, recovery mechanism, cooling-off period, and grievance redress details, in compliance with RBI guidelines.

5. PRINCIPLES FOR DETERMINING THE RATE OF INTEREST:

The Company lends money to its customers through digital platforms and has various products to cater to the needs of different categories of customers. The interest rate of each product is decided from time to time, giving due consideration to the following factors:

a. Cost of Capital: To run the business, the Company has infused equity share capital and accordingly the cost of such equity share capital been infused shall be taken into consideration.

b. Weighted Average cost of Borrowing: Since the Company borrows funds from various banks, financial institutions and other external lender(s), the weighted average borrowing cost, as well as costs incidental to those borrowings like brokerage, consultancy fees, processing fees shall be taken into consideration. The cost of borrowings varies according to market conditions thus pricing of interest rates shall be consequently impacted and decided accordingly.

c. Risk Premium: Risk Premium related to loss of credit due to short tenure of loan, nature of facility, ticket size of loan, geographical condition, customer segment, sourcing channels, stability in earnings and employment, financial position, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, other existing indebtedness, results from digital verifications etc. Therefore, risk of recovery of loan shall be taken into consideration and accordingly the risk premium would be reckoned.

d. Operational Cost: It includes employee expenses, office and infrastructure related fixed and variable costs, operations costs, sales and marketing expenses, etc.

e. Profit Margin: Fair profit margin is added to arrive at the lending rate. The company may at its discretion fix different margins for different customers, considering the risk of default. All customers will however be notified of the interest payable for the loan to be availed from the company.

Apart from the aforesaid factors, following points also impact the interest rate determination:

1. Risk profile of the borrower



2. Tenor of the Loan
3. Credit score of the borrower
4. Credit and default risk in the related business segment
5. Historical performance of similar kind of customers
6. Prevailing Interest rate trends in the money market
7. Treasury bill rates and the sovereign yield curve
8. Market scenario relating to credit risk premia/default premia including CDS spreads
9. Internal Cost of doing business
10. Interest rates offered by other NBFCs in the industry
11. Loan documentation and maintenance fees/ costs
12. Cost for portfolio monitoring
13. Customer communication costs
14. Recovery costs
15. Other factors that may be relevant in each case.

The rate of interest and/or other charges for the same loan product and same tenor may vary for different customers based on consideration of any or a combination of above parameters during the period of this policy.

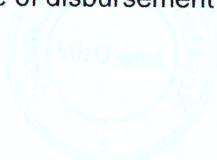
The Company follows a Board-approved interest rate model comprising (i) cost of funds, (ii) operating expenses, (iii) credit risk premium, and (iv) reasonable margin. The final lending rate is determined as a spread over the internal benchmark rate derived from these components.

6. RATE OF INTEREST:

Rate of Interest shall be offered based on the parameters as explained above.

The Board reviewed and confirm the interest rate structure, which shall now be applicable as follows:

1. Pay Day Loan: 0.10% to 1.00% per day and the tenure is 5 days to 45 days
 2. Business Loan: 12% to 48% per annum and the tenure is 6 months to 24 months
- b). The Company ensures that interest rates for short-tenure and high-risk products are based on documented risk assessment and cost structures. Such rates are periodically reviewed by the Risk Management Committee/Board to ensure they remain fair, transparent, and not excessive or usurious.
- c) The interest rates may vary from case to case, based on credit risk methodology set out above. Loans are paid through lump sum payment, Equal Monthly Instalments (EMIs) via electronic payment or deduction from the employer as per loan agreement. Interest rate is charged from the date of disbursement



d) The Company shall ensure that interest rates, including for short-tenure or high-risk products, are reasonable, transparent, and commensurate with the risk profile and cost structure, and do not result in unfair or excessive burden on borrowers.

e) Interest rate can be of two types:

(i) Fixed interest rate: In fixed rate loans, lenders charge a constant personal loan rate throughout the tenure. Here the total interest payable and EMIs remain fixed.

(ii) Floating Interest Rate: Floating or variable personal loan interest rates in India are susceptible to fluctuating economic conditions. Here, the customers may get the benefits of low interest personal loans initially, but there is a possibility of the lender revising the rates as per the repo rate which may result in varying rates of interest throughout the tenure of the loan.

f) Both Fixed and floating rates offer a different set of advantages. While fixed rates keep EMIs constant, one may pay significantly lower instalments with floating-rate loans. But in the event of sudden increase in the personal loan interest rates, one cannot rule the risk of paying bigger EMIs in the future.

g) Currently, all loans offered by RFL to its customers are at Fixed Interest rates but as per the market scenario may also charge the variable interest rates.

h) The interest re-set period for variable rate loans would be decided by the Company from time to time. The interest could be charged on monthly or on such rests as communicated in the loan sanction terms.

i) 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.

j) The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed. Besides this rate of interest, the Company may levy additional/penal charges for delay or default in making payments of any dues.

k) The changes in the interest rates and related charges would be prospective in nature and intimation of change of rate of interest or other related charges would be given to customers in a mode and manner deemed fit in accordance with applicable laws and regulations.

7. OVERDUE INTEREST:

In case of delay or default in repayment of any amount due under the loan, the Company shall continue to charge interest at the contracted rate on the overdue amount for the period of delay. Such interest represents the normal accrual of interest on the outstanding overdue amount and shall not be construed as a penal charge.

Overdue interest shall be calculated only on the overdue amount and not on the entire outstanding loan, unless otherwise specified in the loan agreement. Penal charges, if applicable, shall be levied separately in accordance with the Company's Penal Charges framework and RBI guidelines.

8. BROKEN PERIOD INTEREST:

The Company shall charge an upfront interest on the amount drawn down where the time between disbursement date and EMI date is in excess of 30 days. Interest shall be levied at the regular rate of interest for the period which is in excess of 30 days.



9. PENAL CHARGES IN LOAN ACCOUNTS:

The Company shall ensure that Penalty, if charged, shall be for non-compliance of material terms and conditions of the loan agreements by customers. It shall not be levied in the form of 'Penal Interest' that is added to the rate of interest being levied on the loans and advances. Penal charges are levied solely to discourage non-compliance with loan terms and not as a revenue enhancement measure.

There shall be no capitalization of Penal Charges (i.e. no further interest computed on such charges). However, this will not affect the normal procedures for compounding of interest in the loan account.

The Company shall ensure that the quantum of Penal Charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan agreement without being discriminatory with a particular loan / loan product. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar noncompliance of material terms and conditions.

A. Event of default which will attract Penal Charges:

- i. When Equated Monthly Instalment ('EMI') becomes overdue.
- ii. Breaches to any other important or material terms and conditions of the loan contract. Material events of default shall be defined in the loan agreement and Key Fact Statement to ensure transparency and consistency.

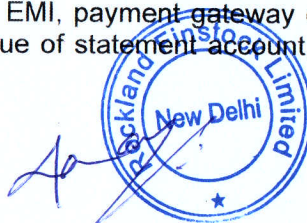
B. Penal Charges:

- i. Penal charges shall be levied at 0.1% per day on the overdue amount (principal and/or instalment overdue), and not on the entire outstanding loan, unless specifically disclosed in the loan agreement.
- ii. EMI bouncing charges: Upto Rs 590/-
- iii. The Company shall display the quantum and reason for penal charges to the customers in the loan agreement and / Key Fact Statement (KFS) as applicable.
- iv. The applicable penal charges, as updated from time to time, shall be displayed on the Company's website.
- v. The Company shall ensure that the applicable penal charges are clearly communicated to the borrowers, whenever reminders for non-compliance of loan terms are sent to borrowers.
- vi. Any instance of levy of penal charges and the reason therefore shall also be appropriately communicated to the borrowers.

C. Unregistered NACH Charges: Upto Rs 590 (see if this is applicable)

10. OTHER FEES AND CHARGES:

- i. Besides interest, other financial charges like processing fees, origination fees, EMI bouncing charges, prepayment, foreclosure charges, recovery/collection charges, re-scheduling charges, penal charges on late repayment of a loan or a EMI, payment gateway charges, cheque swap charges, security swap charges, charges for issue of statement account, customer care, credit



assessment, ECS/ Direct Debit/ NACH mandate registration/ lodgement/ handling or for any other service provided by the Company or cost incurred by the Company for the provision of services related to the loan granted to the customers or as per schedule of charges communicated by the company from time to time or cost towards an expense incurred by the Company for the recovery of the loan. Besides these charges, service tax and other cesses, if any, would be collected at applicable rates from time to time. Any revision in these charges would be prospective in effect with due communication to customers.

ii. These fees and charges may vary based on the loan type, exposure limit, expenses incurred, and customer segment and generally represent the costs incurred in rendering the services to the customer. All such fees and charges shall be clearly communicated to the customer by way of a sanction letter, KFS, financing documents and the schedule of charges notified by the Company from time to time.

iii. The Company may also levy and collect charges and penal charges, for delay or late payment of loan instalment and other dues to the Company and bouncing of ECS/ Direct Debit/ NACH.

iv. The Company may also levy and collect charges for loan documentation, portfolio monitoring, recovery of loan or for other facilities and services provided based on market standards. The details of the charges will be as per the schedule of charges.

11.LOAN CANCELLATION:

The borrower may exit the loan within the cooling-off/free-look period of 3 days from disbursement by paying the principal and proportionate APR for the period of usage, without any penalty or foreclosure charges.

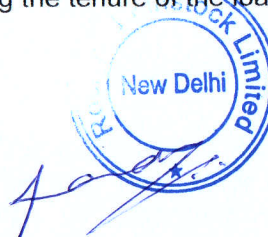
12.WAIVER / REFUNDS:

No claims for refund or waiver of charges / penal charges / additional charges for loan documentation, portfolio monitoring, recovery of loan or for other shall normally be entertained by RFL and it is at the sole discretion of the Company to deal with such requests, if any.

13.COMMUNICATION TO CUSTOMER

a. The Company shall communicate the effective rate of interest - to customers at the time of sanction / availing of the loan through the acceptable mode of communication. Interest Rate Policy would be uploaded on the website of the company and any change therein would be uploaded on the web site of the Company.

b. Changes in the rates and charges for existing customers, if any, would be communicated to them through various modes of communication such as on the website, digital platform and/or via email, letters, SMS, etc. with prior notice and shall be effective only prospectively. However, the company would ensure that there is no change during the tenure of the loan for such loans which had already been contracted with customers.



A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "RFL New Delhi Limited" around the perimeter. Below the signature, there is a faint, light green circular stamp with the text "RFL New Delhi Limited" and "1982-2025" in the center.

14.AMENDMENTS TO THIS POLICY

The Compliance Department shall periodically review adherence to this Policy and place a report before the Board/Risk Committee to ensure alignment with RBI regulations and supervisory expectations.

The Board of directors is authorized to make appropriate changes to this Policy taking into account changes in the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products.

15.ANNEXURE I: SCHEDULE OF CHARGES

S. No.	Nature of Charges	Details
		Pay Day
1	Interest Rate	0.10% to 1% per day
2.	Processing Fees	2% to 10%
3.	Penal Charges	0.1% per day of outstanding principal loan amount.
4.	EMI Bounce Charges	Upto Rs. 590 per bounce
5.	Foreclosure Charges	3% of the outstanding principal (EMI loans post 3 months)
6.	No dues certificate (soft copy)	Nil
7.	Any other charges	As per actuals

Note: GST, other government taxes and levies as applicable, will be payable on all fees and charges.



A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "Rockland Finstock Limited" around the top edge and "New Delhi" in the center, with a small star at the bottom.

