finnable

POLICY ON INTEREST RATE AND CHARGES

Version **8**

FINNABLE CREDIT PRIVATE LIMITED

SUMMARY

Particulars	Details
Document Name	Policy on Interest Rate and Charges
Entity Name	Finnable Credit Private Limited
Policy Owner	Risk Function
Approved By	Board of Directors ("Board")
Version Number	Version 8

VERSION CONTROL:

Version No	Date of Review/ Amendment	Approved by
1	03-Dec-2017	Board of Directors
2	22-Jul-2021	Board of Directors
3	12-Jul-2022	Board of Directors
4	31-Jul-2023	Board of Directors
5	24-Jun-2024	Board of Directors
6	21-Jul-2025	Board of Directors
7	29-May-2026	Board of Directors
8	09-Sep-2026	Board of Directors

1. PREAMBLE

Finnable Credit Private Limited (hereinafter referred to as **"FCPL"** or **"Company"** or **"Finnable"**) is a Non-Banking Financial Company registered with the Reserve Bank of India ("RBI") under Section 45-IA of the Reserve Bank of India Act, 1934.

As per Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 ("RBI Master Directions"), the Board of Directors of all Non-Banking Financial Companies **("NBFCs")** shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium etc, and determine the rate of interest to be charged for loans and advances

In view of the same, Finnable has formulated Policy on Interest Rate and Charges **("Policy")** to govern the establishment and application of interest rates and other charges across different customer segments/products.

2. OBJECTIVES OF THE POLICY

The objective of this Policy is to standardize the methodology used to determine and charge interest rate and other charges for different customer segments/products. This Policy provides the basis and guidance for the determination of interest rates and charges charged by Finnable across different customer segments/products.

3. IMPLEMENTATION OF THE POLICY

The Board of Directors shall have oversight on the implementation of this Policy.

The interest rates to be charged for different customer segments / products will be decided consistent within the interest rates approved by the Board. The Board will take into account relevant factors, including the risk framework within which the Company operates, prevalent market conditions, competition and the ability of the target customer to service such interest while, determining the interest rate to be charged.

4. INTEREST RATE MODEL

The interest rate model shall ensure compliance with applicable laws and directions given by Reserve Bank of India and that the interest rates are commensurate with the risks posed by the borrower.

The interest rate for different customer segments/products is established by the Company based on the following factors:

Sr. No.	Factors	Description
1.	Cost of Funds	The Company raises funds through Term Loans, Non-Convertible Debentures, Pass Through Certificates, etc. from various investors. The weighted average borrowing rate of raising such funds is considered for this component, together with the fundraising costs incurred on such borrowings, and the negative carry on liquid investments and cash balances maintained by the Company.
2.	Operating Costs	All operating costs associated with providing the Loan Products, including: debt management costs, employee expenses, third party service provider cost, tech costs, etc. 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. Those components are covered under section 7 of this policy.
3.	Risk Premium	Interest Rate may vary depending upon internal assessment of likelihood of delinquency or potential loss from customer segment, geography, sourcing channel, risk profile and loan amount and/or other factors. Risk Premium will also take into account the volatility of credit risk. A combination of these factors (as detailed out in Section 5) put together would help in determining the final pricing of the product
4.	ROA Margin	This represents the pre tax margin the Company is expected to earn on its loans and advances. It reflects internal profitability benchmarks, business strategy, and capital deployment considerations. The ROA Margin is incorporated in the pricing of loan products to ensure adequate margin over costs, while remaining aligned with market conditions and regulatory requirements.

Sr. No.	Factors	Description
5.	Business Strategy Premium / Discount	This component shall be arrived at taking into consideration business strategy, market competition, interest rate type and the loan product. The Company recognises that the rate derived under the risk based pricing may in specific cases require to be varied considering competitive intensity in the relevant segment, geography or sourcing channel; the borrower's existing or prior relationship with the Company, including repayment conduct on loans served till date, the value and quality of the collateral offered.

5. APPROACH FOR GRADING OF RISK

The following factors are relevant for the purpose of determining risk premium:

5.1 Risk Factors:

Multiple Risk Factors may be considered to arrive at the final pricing for a segment, which may include all or some of the factors mentioned below depending on the product:

- Internal Risk Score thresholds
- Monthly Income of the customer
- Ticket Size/ Loan Amount offered to the customer
- Demographics of the customer/ location the customer is currently residing
- Bureau profile of the borrower – Function of the trades & enquiries appearing in Bureau.
- End use associated with the loan/Purpose of the loan

5.2 Other Factors:

- Additional data-based signals – Bank Statement, Employees Provident Fund Organization ('EPFO') details or digital employment verification, etc
- Competitive landscape – Rates also vary in line with what is offered by other lenders in the same/similar domain
- Historical performance of similar homogeneous clients;

6. PRICING UNDER CO-LENDING ARRANGEMENTS

6.1 Scope and Applicability

The RBI has issued the Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, ,as amended from time to time (the **"Co-Lending Directions"**), which provide a comprehensive framework for co-lending arrangements between Regulated Entities (**"REs**"). Under the Co-Lending Directions, each RE charges interest on its funded share as per its own internal lending policies, and the final rate of interest charged to the borrower is a single rate derived as the average of such rates, weighted by the proportionate funding share of the REs.This Section sets out the framework for pricing customers under co-lending arrangements.

This Section applies to every co-lending arrangement entered into by the Company across all loan products, including personal loans, loans against property and consumer loans, and applies mutatis mutandis whether the Company acts as the Originating RE or as the Partner RE. Loans held entirely on Finnable's own book shall continue to be governed by the preceding Sections of this Policy.

6.2 Definitions

For the purpose of this Section:

a. **Co-Lending Arrangement ("CLA")** means an arrangement, formalised through an ex-ante agreement between an RE originating the loans ("Originating RE") and another RE co-lending ("Partner RE"), to jointly fund a portfolio of loans in a pre-agreed proportion, involving revenue and risk sharing, in terms of the Co-Lending Directions.

b. **Co-Lending Rate** means the rate of interest charged by the Company on the portion of the loan funded by it under a CLA, determined in accordance with this Policy.

c. **Co-Lending Ratio** means the agreed proportion in which each loan is funded by the Company and the Partner RE under a CLA; fixed per arrangement and may differ across partners, subject to the minimum retention of ten per cent of each individual loan by each RE prescribed under the Co-Lending Directions.

d. **Customer Rate** means the single rate of interest charged to the borrower under a CLA, being the blended rate calculated as the average of the rates of interest charged by the respective REs on their funded shares as per their internal lending policies, weighted by their proportionate funding shares, in terms of the Co-Lending Directions.

e. **Default Loss Guarantee ("DLG")** means a contractual arrangement, called by whatever name, under which the Company guarantees to compensate the Partner RE for loss due to default up to a certain percentage of the loan portfolio, as specified upfront, in accordance with the Reserve Bank of India (Digital Lending) Directions and the Co-Lending Directions.

f. **Partner RE** means the Regulated Entity co-lending with the Company under a CLA.

6.3 Co-Lending Structure and Roles

Under the Company's co-lending arrangements, each loan is funded in the agreed Co-Lending Ratio, with the Partner RE ordinarily contributing the majority share and the Company the balance. While the funding of the loan is shared, the operational responsibilities are not: the Company, as the Originating RE, underwrites, services and collects across the entire loan, and maintains the technology and information-security infrastructure through which the loan is administered, notwithstanding that it funds only a minority share.

This asymmetry – a minority funding share against servicing of the whole loan – is central to the interest rate model set out below: in-house costs incurred by the Company on the entire loan can be recovered only through the interest earned on its own funded component.

6.4 Pricing Principles

The Company determines the Co-Lending Rate on the same basis on which it would price the loan if disbursed entirely on its own book, consistent with Sections 4 and 5 of this Policy.Grossing up is applied only where there is an asymmetry between the cost base and the funding base – that is, only to costs which the Company incurs in-house on the entire loan notwithstanding its fractional funding share. Such costs are recovered through the Company's funded share by grossing them up by the reciprocal of the Company's funding share (the **"Co-Lending Leverage Factor"**). Costs and returns that are proportionate to the Company's funded share are not grossed up where Finnable provides a Default Loss Guarantee, the rate incorporates the credit cost of that guarantee over the Partner Institution's share, which is likewise scaled by the Co-Lending Leverage Factor.

The rate of interest charged to the borrower under any CLA shall be the Customer Rate, disclosed and applied as a single rate to the borrower.

Notwithstanding anything contained in this Policy, the following customer-level protections shall in all cases hold good:

- The Customer Rate charged to a borrower under a CLA shall not exceed the rate at which the Company would price the same borrower, for an equivalent risk profile and product, wholly on its own book in accordance with the Standalone Pricing Policy. The co-lending structure shall never result in the borrower paying more than the borrower would pay on a comparable loan held wholly on the Company's own book.
- The Customer Rate shall remain subject to the product-wise minimum and maximum rates of interest prescribed under Annexure-1, which apply at the customer level. The Co-Lending Rate is an internal apportionment of the Customer Rate between the co-lenders and shall not, by itself, be construed as the rate charged to the borrower.

6.5 Co-Lending Leverage Factor and Cost-Plus Build-Up

Since Finnable services the whole loan but funds only a fraction of it, a cost incurred across the full loan would, if charged only against Finnable's share, recover merely that fraction. The Co-Lending Leverage Factor, being the reciprocal of Finnable's share, scales such whole-loan costs onto its funded component so that they are recovered in full. Only whole-loan costs are scaled; costs relating solely to Finnable's own share are not. Its application is in every case bounded by the customer-rate ceiling in Section 6.4.

Finnable's funded-component rate is built from the four cost-plus components set out in Section 4, adjusted for the costs that are incurred across the whole loan.

The resulting funded-component rate, viewed in isolation, is higher than the Standalone Rate. This is the arithmetic consequence of the Co-Lending Leverage Factor and does not represent an increase in the price borne by the customer. The funded-component rate becomes an input to the blend. The Customer Rate is the funding-weighted average of the Partner Institution's rate on its share and Finnable's rate on its share.

7. CHARGES

The Company levies various charges in relation to the loan, including Bounce Charges, Penal Charges, Foreclosure Charges, processing fees and, in case of Loan Against Property (LAP), charges such as valuation fees, legal fees, Application fees and document handling charges.

a. **Bounce Charge** is a fixed fee levied when an EMI debit attempt fails due to reasons attributable to the customer
b. **Penal Charge** is a daily accruing charge on overdue EMI amounts for delay beyond the due date. The EMI is due on the 5th of every month, and no penal charge is levied if the payment is made on or before the 5th. Further, if the payment is made between the 6th and 7th of the month, the penal charge is fully waived. For delays beyond the 8th, penal charges are applied on a daily basis, with overdue days considered from the 5th.
c. **Foreclosure Charge** is levied when a customer chooses to close the loan before the end of the agreed tenure by repaying the entire outstanding amount.
d. **Valuation Fee** is a charge levied to cover the cost of assessing the fair market value of the property offered as collateral under LAP. This valuation is conducted by empanelled valuers and is essential for determining the eligible loan amount and risk assessment.
e. **Legal Fee** is a charge levied towards the cost of legal due diligence of the property documents. This can include verification of title, property tax document, ownership, encumbrances, and compliance with applicable property laws, carried out by empanelled legal counsel.

f. **Application Fee** is a charge collected at the time of loan application processing. This fee covers initial administrative costs, credit assessment, and processing of the loan request, irrespective of whether the loan is sanctioned or disbursed.

g. **Document Handling Charge** is levied towards the preparation, execution, handling and maintenance of loan-related documents, including loan agreements, collateral documents, and other ancillary records required for the transaction. This charge covers the storage of such documents and is distinct from, and in addition to, the Application Fee.

h. **Usage/Convenience Fee** means a non-interest charge levied on the Customer for availing the digital credit facilitation, platform services, payment processing, or related services.

i. **Processing Fee** is a non-refundable fee levied on eligible loan applications to recover sourcing, operational and administrative, technology and platform, and documentation and compliance costs incurred in sourcing and disbursing credit. It is charged as a percentage of the loan amount as determined by the competent committee from time to time, shall not exceed the cap specified in Annexure-1, and is exclusive of applicable GST.

8. LIMITS ON INTEREST RATE

The Company will ensure that the applicable rate of interest to any borrower should not exceed the maximum rate fixed for the product offered by the Company.

9. DISCLOSURE REQUIREMENTS

The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) provided to them pursuant to applicable RBI Guidelines/Directions, as may be amended from time to time and the loan agreement. The same shall be displayed on website of Company.

10. COMMUNICATIONS

Finnable shall communicate to the customer upfront at the time of loan sanction:

- KFS to the borrower before the execution of the contract in a standardized format for all the loans as per RBI Master Directions.
- The amount of loan sanctioned along with the terms and conditions including annualized rate of interest and annualized percentage rate (inclusive of all costs and charges other than the charges like late payment charges etc.).

11. DEVIATION AUTHORITY

Executive Directors of the Company severally, shall have full authority to approve any deviation, waiver, to the charges, fees, and penalties as specified in the Charges Table in this Policy, from time to time. Further, the Executive Directors are also empowered to delegate specific approval powers for deviations to the any other employees of the Company.

The Head of Risk, shall have authority to approve a deviation in the risk-based rate of interest applicable to a borrower from the rate derived under the risk gradation approach.

12. REVIEW OF THE POLICY

The Policy shall be reviewed by the Board at least annually, and additionally as and when needed. Consequent upon any amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board taking into account recommendations made by the Risk Management Committee / other relevant board committee.

Without prejudice to the foregoing, in the event the Policy requires to be amended to take into account any changes (whether on account of repeal of any existing law, or otherwise) in any existing regulation, law or policy (or any clarification with respect to any existing regulation, law or policy) or for risk management and/or commercial purposes, the Head of Risk of the Company may approve such changes to the Policy as may be required and in the interest of the business operations of the Company. Any such changes approved by the Head of Risk shall be placed before the RMC and Board, in its immediately succeeding meeting, for ratification and approval thereof. No act done by Head of Risk shall be deemed to be invalid, notwithstanding that the changes approved by it were subsequently not approved / ratified by the Board. The final decision shall rest with the Board.

ANNEXURE-1

DETAILS OF CHARGES

Sr. No.	Particulars	Loan Against Property	Personal Loan	Consumer loan
1.	Bounce Charges	Upto INR 450/-	Upto INR 450/-	Upto Rs 450/-
2.	Pre-closure Charges	0 to 12 months- Not allowed. >12 months- 5% on Principal Outstanding	0–12 months: 6.0% 13–24 months: 4.0% >24 months: 3.0% of principal outstanding	Pay Later : 0% EMI : Upto 4% of principal outstanding
3.	Penal Charges/ Late Payment Charges	2% per month on the overdue amount	2% per month on the overdue amount	Slab-wise and program wise, if applicable (shared below)
4.	Application Fees	Upto INR 847.46/-	NA	NA
5.	Valuation and Legal Fees	Upto INR 3,200/- (comprising valuation fee of upto INR 1,600/- and legal fee of upto INR 1,600/-)	NA	NA
6.	Document Handling Charges	INR 799/-	NA	NA
7.	Interest Rate	Upto 24%	Upto 30.99%	Upto 29.99%

Sr. No.	Particulars	Loan Against Property	Personal Loan	Consumer loan
8.	Processing Fees	Upto 2.5% of the loan amount	Upto 5% of the loan amount	Upto 6% of the loan amount
10	Usage/Convenience Fee	NA	NA	Pay Later : Capped at Rs 15/month
11.	Part Payment Charges	0 to 6 months- Not allowed. >6 months- • For part payment upto 50% of the Principal Outstanding - 3% on the part payment amount For part payment exceeding 50% of the Principal Outstanding - 5% on the part payment amount	NA	NA

Note: All charges specified in this Annexure are exclusive of Goods and Services Tax (GST). GST shall be levied in addition to the amounts stated above, wherever applicable.

Late Payment Charge Slabs (Only for Consumer Loans)

Overdue Amount (₹)	Maximum Late Payment Charge Amount (₹)
0 – 100	0
101 – 200	20
201 – 500	50
501 – 1,000	150
1,001 – 2,500	250
2,501 – 5,000	350
5,001 – 7,500	450
7,501 and above	550