



# Interest Rate Model Policy



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## Section 1: Definitions

**Gradations of risk** - The classification of borrowers into different risk levels based on a combination of quantitative and qualitative factors such as credit history, relationship duration, group strength, financial performance, repayment capacity, and segment-related risk trends. This helps lenders make informed decisions on credit approvals, pricing, and exposure limits.

**Aggregate borrowings** -The total combined amount of money that has been borrowed by a company or entity, considering all loans and credit lines over a specific period or at a given point in time.

**Moratorium Period** - A moratorium period typically refers to a specific period during a loan's tenure when the borrower is not required to make regular loan repayments. The duration of the moratorium period can vary depending on the terms and conditions of the loan agreement and the policies of the lending institution.

**Penal Charges** - Penal charges are extra fees or a higher rate of interest that a lender imposes on a borrower for failing to meet the terms of a loan or credit agreement, such as making a late payment or defaulting on an instalment.

**Foreclosure & Cancellation Charges** - Typically refer to charges associated with the early termination or cancellation of loans.

## Section 2: Purpose & Scope of Work

The Reserve Bank of India (RBI), had vide its Circulars and Notifications as amended from time to time has advised the Boards of Non-Banking Finance Companies("NBFC") to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers. AEON Credit Service India Private Limited (the Company / ACSI) in compliance with the notifications will ensure the factors accountable for determining the interest rate which shall be available to customers on ACSI's website.

ACSI to adopt an interest rate model considering 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. The rate of interest and the approach for gradations of risk and rationale for charging different rate 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.

The rates of interest and the approach for gradation of risks shall also be made available on the website of the ACSI. The information published in the website or otherwise published will be updated whenever there is a change in the rate of interest.

## Section 3: Principles for determining Interest rates for all loans & Processing Fees

- i. ACSI has its own model for calculating and arriving at interest rates considering various factors such as ACSI's weighted average cost of funds, unallowable overheads and other administrative costs which is further adjusted for Asset Liability Mismatch (ALM). The weighted average cost of funds is computed considering the cost of ACSI's aggregate borrowings at the month end time from



various sources such as banks, NBFC, non-convertible debentures, commercial papers, etc. However, the base rate does not include expected return on assets, as it varies amongst different lines of businesses of ACSI.

- ii. The said base rate is reviewed in the Executive Committee (EC) Meeting and would periodically be published on the Company's website.
- iii. The rate of interest on loans for various business segments and various schemes hereunder are derived through ACSI's interest rate model, cost on account of risk and tenor premium for the concerned business segment, along with this business specific operating cost and margin is added, which helps to arrive at the lending rate.
- iv. The rate of interest for loans across all segments / categories shall be determined after adjusting for spread, based on a combination of the following factors:
  - Cost of funds and liquidity position
  - Credit and default risk of the borrower / segment,
  - Bureau score and repayment history
  - Profile and stability of borrower
  - Income level and indebtedness (other existing loans)
  - Nature and value of collateral (secured vs unsecured)
  - Loan characteristics: ticket size, tenure, product type
  - Industry / occupation risk profile
  - Historical performance of similar borrower segments
  - Geographical location and collection/delinquency performance
  - Subvention / promotional schemes, if applicable
- v. The rate of interest for the same product and tenure availed during same period by different customers need to be standardized. It could vary for different customers depending upon the combination of above factors.
- vi. The interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method.
- vii. The interest rate could be charged on a monthly basis depending upon the scheme/product/competitor offerings/ segments etc. The product-wise range of interest rates (as per the Effective Rate) is mentioned below: -

Sr. No.	Products	Interest Range (per annum)
1.	Two-wheeler	17% ~ 24%
2.	Used Two-wheeler	24% ~ 32%
3.	E-Bike	18% ~ 28%
4.	Used Car	15% ~ 18%
5.	Personal Loan	20% ~ 36%
6.	Staff Loan	7.99% ~ 11%

- viii. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.



- ix. For the products category, interest rate would be a max of 42% (Forty-Two percent per annum) by reducing balance method and the period of interest shall be pre-set and would be reviewed by the Company from time to time keeping in view the RBI Policy rate and Market situation.
- x. All the details pertaining to the Loan, Payment of interest, EMI, due dates, quantum and reason for imposing penal charges, repayment schedule, key fact statement etc. shall be communicated to the Customer in the Loan Sanction Letter/ Loan Agreement at the time of sanction/ availing of the loan.
- xi. Any changes pertaining to the policy or scheme or interest rates will be at the sole discretion of the Company and will be communicated to the customer in writing and the same will also be published on the website of ACSI.
- xii. Besides normal interest, the company may levy additional/penal Charges for delay or default in making the payment of any dues (EMI's). These charges will depend on the product, tenure, etc. and would be decided / changed by the Company from time to time.
- xiii. Charges pertaining to late payment, cheque bounce, processing fees, pre-payment, foreclosure, part disbursement, issuance of additional statement etc. would be levied by the Company, wherever applicable. Stamp duty, Goods and Service Tax (GST) and any other government taxes and charges would also be collected from the customers at applicable rates as may be notified by the Govt. authorities from time to time.
- xiv. Any changes in the aforementioned charges shall have a prospective effect in consultation with various departments from within the organization.
- xv. Generally, the claim requests pertaining to waiver of charges/refund/additional interest/processing fees would not be entertained by the Company, and the Company may deal with such requests on case to case basis and it is the sole discretion of the Company to deal with such requests, if any.
- xvi. The moratorium period (i.e. the minimum number of instalments post which pre-payment/ foreclosure is allowed) may vary based on products and shall be specified in the Loan Sanction Letter/ Loan Account Statement.
- xvii. Processing Fee is a one-time non-refundable charge collected by the company for processing the documentation and approving loan application. Processing fees typically range from 0.5% to 3% of the loan amount, credit profile and any promotional offers.

#### Section 4: Foreclosure & Cancellation Charges and Penal Charges

Foreclosure and cancellation charges typically refer to fees associated with the early termination or cancellation of personal or auto loans.

Duration of Outstanding Principal	Foreclosure Charges
Up to 7 days from date of Disbursement	Only Processing Fees
More than 7 days and up to 6 months	6.00%
More than 6 months and up to 12 months	4.00%
More than 12 months	3.50%



<b>Penal Charges</b>	
1. Bounce Charges	INR 500/- + GST shall be levied per month
2. Penalty for Mandate rejected cases (penalty will be charged only if not paid on / before EMI date)	INR 500/- + GST per month
3. Overdue Charges	INR 150/- + GST shall be levied per month
4. Conditions for overdue charges	<ul style="list-style-type: none"><li>• If EMI paid between 2<sup>nd</sup> to 15<sup>th</sup> of the month – No overdue charges</li><li>• If EMI paid after 15<sup>th</sup> of the month then INR 150/- + GST</li></ul>
5. Cancellation Charges	<ul style="list-style-type: none"><li>• Not applicable up to 7 days from the date of disbursement (only interest amount will be applicable till the receipt of the payment of loan amount from the date of disbursement)</li></ul>
6. Swap Charges (Applicable only in case of change in repayment instrument)	<ul style="list-style-type: none"><li>• INR 500 per swap (inclusive of GST)</li></ul>
7. Duplicate NOC Charges	<ul style="list-style-type: none"><li>• INR 300/- (inclusive of GST)</li></ul>
8. Cash-pick up Fees	<ul style="list-style-type: none"><li>• INR 50/- (inclusive of taxes) per transaction</li></ul>
9. Technical Bounce Charges	<ul style="list-style-type: none"><li>• INR 590/- (inclusive of taxes) per month / per presentation</li></ul>

## Section 5: Governance and Review Mechanism

- **Board of Directors**
  - Approves the Interest Rate Policy and any major changes.
- **Asset Liability Committee (ALCO)**
  - Reviews cost of funds, liquidity and external benchmark trends.
  - Recommends changes to internal benchmark / Floating Reference Rate (FRR).
- **Credit Team**
  - Provides input on borrower risk factors, delinquency trends, and portfolio health.
- **Review Frequency**
  - Interest Rate Policy to be reviewed at least annually or as & when required or earlier in case of significant changes in cost of funds, market conditions, or portfolio performance.



## Section 6: Department in Charge

The department in charge of handling this policy shall be Sales Planning & Support Department.

## Section 7: Revision and Abolishment

The Revision and Abolishment of this policy shall be planned and conducted by the Sales Planning & Support Department. Revision and abolishment of this policy requires an appropriate resolution to that effect passed at a Board of Directors' Meeting. This policy shall be reviewed annually or as necessary, according to changes in RBI guidelines, business requirements or strategy or developments of the Policy of Policy Control by the company.