ACHIIEVERS FINANCE INDIA LMTD

(formerly known as Achiievers Finance India (P) Ltd)

INTEREST RATE MODEL POLICY

A) PREAMBLE / INTRODUCTION

The Interest Rate Model Policy has been framed by Achiievers Finance India Lmtd (the "**Company**") in response to the guidelines issued by the Reserve Bank of India ("**RBI**") vide Master Direction DNBR.PD.007/03.10.119/2016-17 updated as on 29th December, 2022 to take into account relevant factors such as cost of funds, margin and risk premium 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 Interest Rate Model is approved by the Board of Directors at its meeting held on 12th March, 2025.

1. **Rate of Interest**

The Company intimates the borrower, the loan amount, rate of interest and any other charges, as and when applicable, to the borrower at the time of sanctioning the loan amount along with the repayment schedule.

2. **Objective**

2.1. To arrive at the benchmark rates to be used for different category of borrower segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from borrowers.
2.2. Communicate the annualised rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
2.3. Make available the rates of interest and the approach for gradation of risks on the website of the Company.

3. **Principles for gradation of risk**

3.1 Achiievers Finance India Lmtd ("AFIL") has its own model for arriving at interest rates taking into consideration among other things the average cost of funds, unallocable costs, (operational expenditure) administrative costs, risk premium, the expected loan performance and profit margin.
3.2 The decision to give a loan and the interest rate applicable to each loan account will be assessed on a case to case basis, based on multiple parameters such as the borrower profile, repayment capacity, borrower's other financial commitments, past repayment track record if any, loan to income ratio and employment stability. Such information is gathered based on information provided by the borrower, credit reports and bank statements.

3.3 The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

3.4 Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, line usage fees, overdue charges, withdrawal or cash advance fees, charges for issue of statement account, insurance charges etc., would be levied by the Company, as and when approved by the Board and are adequately disclosed in the Loan Agreement and Key Fact Statement ("KFS").

3.5 The interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method, as disclosed in the Loan Agreement and KFS.

3.6 The frequency of interest payment will also be disclosed in the Loan Agreement and KFS.

3.7 While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

3.8 Claims for refund or waiver of charges/ penal charges / additional interest would normally not be entertained by the Company but can be granted on case to case basis at the sole discretion of the Company to deal with such requests, if any.

3.9 Accordingly, the rate of interest for Personal Loan and other charges, as applicable, will be disclosed in the Loan Agreement and KFS.

4. Simplification of Product Pricing

As a Company, it is important to strike the right balance between process uniformity across customers, operational efficiency and risk profile of borrowers to ensure the Company meets the needs of its vast and diverse customer base. Therefore, the Company has unsecured lending product, i.e. unsecured Personal Loan, with different end uses of the loans, repayment frequencies, loan duration and disbursements in different geographical areas.

5. COMPUTATION OF THE INTEREST RATE FOR LENDING WITH RISK GRADATION BASED PRICING

AFIL, the RBI registered NBFC lends Unsecured Personal Loans through Website.

The final lending rate for loan products offered by the Company will be arrived at after taking into account income, employment history, credit and default risk, historical performance of similar homogeneous customers, profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, deviations permitted, future potential, overall customer yield, etc. Such information may be gathered based on information provided by the borrower, credit reports and market intelligence. While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

The Company intimates its borrowers the loan amount, the annualized percentage rate (APR) and the annualized rate of interest, any other fees which is applicable for the loan at the time of sanction of the loan along with the tenure, the amount and the due dates of the repayment.

The Interest Rate Model of the Company would at large depend on the following factors:

1. **BASE INTEREST RATE DETAILS OF LOAN PRODUCT**

a) **COST OF BORROWING**: Cost of borrowing would be a function of the Company's operational effectiveness as perceived by the banks, the liquidity situation in the country's financial markets, the general borrowing rates of NBFCs, the term of the loan required for the product and the ability of the product to access funds. Efforts would be made to ensure that the borrowing cost is the minimum possible and efforts would be made to pass on any reductions in these costs to the customers. The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to its borrowers are sourced, normally referred to as the Company's external cost of funds. The Company borrows funds through term loans, Non-Convertible Debentures etc. from the investors.

b) **FUND RAISING COST**: It includes processing fees on term loans, Rating Fee, Trusteeship Fee, Listing Fees, RTA Fees etc.

c) **OPERATIONAL COST OF SOURCING, COLLECTION AND LOAN ADMINISTRATION**: The Company has channel of sourcing and collections of its loan product through Website. The loan management cost incurred by the Company for sourcing, collection and administration of its loan product should be factored into all transactions. The interest rate charge will depend on the term of the loan, structure of the loan, terms of payment of interest, repayment schedule etc.

d) **RISK PROFILE OF THE LOAN PRODUCT**: Depending on the purpose for which the loan is being used, geographical specifications, customer occupation, credit underwriting processes, the base credit risk profile of its loan product is assessed. The risk profile of loans is also available by assessing the historical averages of repayment rates of loan products in other companies in the market. This judgement of the credit costs of a product, will be compared against actual performance on an ongoing basis and varied based on both micro and macro factors.

e) **EXPECTED CONTRIBUTION TO COMMON OVERHEAD AND GROSS MARGINS**: The above factors cover the cost aspect of the Company's lending, in addition to which the interest income has to cover head office expenses, managerial expenses, technological expenses, software expenses, operational cost, sales and marketing expenses and other operating costs. This aspect of the cost to the borrower is the aspect that is most directly in control of the Board and the management and both of them will make efforts and keep constant vigil that this margin is kept within the reasonable limits in order not to burden our customers.

f) **DELIQUENCY COST:** As a matter of prudence, cost of delinquency shall be factored into all transactions. This cost is then reflected in the final interest rate quoted to its borrowers.

g) **ROE:** Internal cost of funds being the expected return on equity issued, is also a relevant factor. The interest rate charged will also take into account costs of doing business. Fixed rate loans are not linked to benchmark but are decided based on their Operational expenditure, Business related risks and desired ROE/ROA.

Factors affecting calculation of ROE are mentioned below:

Particulars	**Unsecured Personal Loan**
Gross Revenue (A)	XX
Total Expenses	XX
Cost of Borrowing	XX%
Fund Raising Cost	XX%
Operational Cost of sourcing, collection and loan administration including Overhead cost	XX%
Delinquency Cost	XX%
Total Expenses (B)	XX
PBT (C=A-B)	XX
Tax (D)	XX%
Net Profit for the Period (PAT) (E=C-D)	XX
Equity (F)	XX
ROE (Annualised) (G) (E/F*12)	XX%

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management and/or changes to extraneous cost factors which has a say in the setting up of the interest rate. Any revision would be from prospective effect. Interest rates shall be intimated to the borrowers at the time of sanction/ availing of the loan and the equated instalments/ Bullet payment, as applicable, apportionment towards interest and principal dues shall be made available to the borrowers.

2. Gradation of Loan Based on Risk Assessment:

The individual assessment criteria for the customer credit grading undergoes through different checks during the KYC and on boarding process to ensure proper risk categorization of the borrowers. When assessing credit transactions, the Company focuses on critical principles as follows:

a) Detailed profile of the borrower at the time of onboarding with proper due diligence as per company's Know your customer guidelines;
b) Tenure of relationship with the borrower, past repayment track record and historical performance of our similar clients;
c) Overall customer yield, future potential, repayment capacity based on financial Leverage, liquidity, income level, bank statement, mode of payment, CIBIL score;
d) And any other factors that may be relevant in a particular case.

The Risk Gradation pricing is done as follows:

Internal underwriting models based on borrower's credit history, repayment pattern and overall exposure/indebtedness information received from Credit Bureaus and alternate sources of data, leads to the decision whether the customer's application can be approved or not. The annualized interest rates is disclosed on the Loan Agreement and KFS upfront. In case of payment after due date, the Annualised Rate of Interest shall be charged to borrower till the actual date of payment.

6. PROCESSING / DOCUMENTATION AND OTHER CHARGES

Cost of sourcing and handling the loan application is charged as processing fees. There are several processes that are implemented to cover all the customers before approval. The costs incurred towards the implementation of these processes are recovered from the customers whose loans are approved in the form of processing fees. The fees will vary based on the loan product, geographical location, customer segment, size, tenor of loan and risk associated with the application and generally represent the cost incurred in rendering the services to the customers.

The management regularly reviews the processing fees levied and can change the processing fees at any point of time. All processing / documentation and other charges recovered are expressly stated in the Loan Agreement and KFS. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges. All applicable taxes shall be charged as per the guidelines issued by the Government and regulatory authorities from time to time.

7. DISCLOSURE TO BORROWER

7.1. The Company will inform the borrower in writing in English language and the language as understood by its borrowers and where required under applicable Laws all relevant details in relation to the loan offered by Company including all necessary documentation to be entered into in relation to the loan (i.e. loan agreement, KFS etc, as required under the guidelines of the RBI).

7.2. This Policy will be made available on the website of the Company in accordance with the Company's Fair Practices Code and the guidelines of RBI.

B) Review

A periodical review of this Policy will be undertaken by the Company, as and when necessary.