



INTEREST RATE POLICY
OF
HOME CREDIT INDIA FINANCE PRIVATE LIMITED
Version 4

**Approved by the Board of Directors of
Home Credit India Finance Private Limited**

on

July 27, 2018

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Whole Time Director/ Chief Executive Officer

INTERNAL PRINCIPLES OF DETERMINING INTEREST RATE AND OTHER CHARGES

As per RBI guidelines, the Board of Directors of all Non-Banking Financial Companies (NBFCs) have been advised to lay out appropriate internal principles and procedures in determining interest rates, processing charges and any other charges and post it on their website. This will enable their customers to understand the logic and methodology used for determining the lending rates charged to them. Further the directive states that the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest for different borrowers should be communicated to the borrowers in their sanction letter. In line with the same, the methodology for determining interest rates is given below.

Loan assets created by Home Credit India Finance Private Limited (“Company”) will be priced based on the borrowing rate of funds (cost of funds) and risks associated with the quality of the portfolio of customers and the probability of default. In addition to cost of funds and credit risk premium, Company considers other factors such as administrative costs, information technology cost and profit margin while deciding on income to be generated from loan products. Such costs and risks depend on various business requirements and market conditions and thus the pricing of new loans is subject to change from time to time, depending on the change in the cost of funds.

INTERNAL PRINCIPLES AND PROCEDURES IN DETERMINING INTEREST RATES

The average yield on product and minimum rate of interest under each product line would be decided from time to time by the Pricing Committee¹. The Company shall adopt an interest rate model taking into account relevant factors for determining the rate of interest to be charged for various types of loans. The Chief Marketing Officer shall be responsible to design new loan products on the basis of average yield and rate of interest which shall be approved by the Pricing Committee comprising of Chief Marketing Officer, Chief Executive Officer, Chief Sales Officer, Chief Finance Officer, Chief Risk Officer and Head of Customer Relationship Management. All such loan products shall be approved by the Pricing Committee of the Company in consultation with Chief Risk Officer and Chief Financial Officer of Home Credit Group.

The rate of interest for loans for various products and various schemes thereunder is arrived at after considering cost on account of risk, business specific operating cost and margin is added to arrive at the lending rate. The final lending rate for various products will be arrived at after taking into account market reputation, subventions available, overall customer yield, nature and value of primary and collateral security, etc.

The Company may offer different interest rate to different customers based on loan amount, tenor, down payment, payment history with Company, credit score provided by credit information companies, customer’s age, and income, as well as type of documents provided by the customer and any other information as may be required for the purpose of credit evaluation.

The rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed above.

¹ Reference may be taken from the Policy on Pricing Committee of the company governing its scope, constitution and conduct of meetings, as amended from time to time.

Interest shall be charged on a flat rate basis on the loan amount and shall be fixed during the period of the Loan. If the Company has to revise such rate of interest as per stringent market conditions and/or due to applicable laws and regulations during the tenure of the Loan, the Company shall publish such information on the website of the Company and inform the concerned customers by specified Contact Options (i.e. SMS, e-mail or mobile application). Any revision in the interest rate shall have prospective effect. The customer shall have the option to terminate this Agreement after repaying the Outstanding Balance to the Company within the time period specified by the Company in case the customer does not agree to the revised rate of interest.

The annual rate of interest would be intimated to the customer at the time of loan application as well as in the sanction letter/ loan summary issued to the customer.

The amount of interest is calculated by multiplying loan amount, flat rate of interest and number of instalment of loan divided by 12. Interest Amount shall be computed on the basis of a year comprising of three hundred and sixty days. However, the interest shall be charged to the monthly reducing balance of the loan amount on the basis of equivalent annual percentage rate.

The interest shall be recovered along with loan amount during the loan period in instalments on monthly basis.

FEES & CHARGES RELATED TO LOAN

Besides interest, the Company may levy and collect fees and charges from the customer(s) for loan processing, customer care, credit assessment, cash handling, ECS/ Direct Debit/ ACH mandate registration/ lodgement/ handling or for any other service provided by the Company or cost incurred by the Company related to the loan granted to the customers. These fees and charges may vary based on asset/commodity financed, exposure limit, expenses incurred at the point of sale, customer segment and generally represent the costs incurred in rendering the services to the customer.

Where any taxes, duties, cess are levied upon such fees and charges, same shall be recovered from the customer at applicable rates from time to time.

Any such fees/ charges, or any revision therein, shall have prospective effect. These fees and charges shall be approved by the Pricing Committee.

All such fees and charges shall be clearly communicated to the customer either by way of printing on sanction letter or by publishing on the website of the Company.

FORECLOSURE & LATE PAYMENT CHARGES

The Company may also levy and collect charges and penalties for prepayment/ foreclosure of loan by the customer, for delay or late payment of loan instalment and other dues to the Company and bouncing of ECS/ Direct Debit/ ACH.

The Company may, at its sole discretion, allow the prepayment of the Loan Amount subject to certain conditions and on payment of prepayment penalties by the Borrower. However, the Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

The moratorium term (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 sanction letter/ loan summary.

Foreclosure charges after moratorium term are applied on the Outstanding Principal amount calculated based on reducing balance method. Foreclosure charges are specified in the sanction letter/ loan summary given to the customer. Any change in these charges shall be clearly communicated to the customer by way of publishing on the website of the Company and by specified Contact Options (i.e. SMS, e-mail or mobile application).

Any revision in these charges would be from prospective effect. These fees and charges shall be approved by Pricing Committee.
