For	**Ladderup Finance Limited**
Content	**Interest Rate Policy**
Version	**1.0**
Date of Review/Revision	**7th February 2025**

1. **PURPOSE OF POLICY:**

1.1. Reserve Bank of India (RBI) vide its Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('Master Directions') has advised that the Board of Directors of Non-Banking Finance Companies (NBFCs) shall lay out appropriate internal principles and procedures in determining interest rates, processing, and other charges. In this regard, RBI further requires NBFCs to adopt an appropriate interest rate model considering relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

1.2. With a view to institute fair and transparent dealings in the lending business, Ladderup Finance Limited ('the Company') has adopted and put in place the following Interest Rate Policy parallel to the company's Fair Practice Code, in accordance with the Master Directions, as amended and updated from time to time.

1.3. Keeping in view the Master Directions, and the good governance practices being followed by the Company, the following internal guidelines, policies, procedures and interest rate model have been adopted by the Company. The Board of Directors of the Company ("the Board") or Credit Committee ("the Committee") or Managing Director as the case may be, while fixing interest rates chargeable from the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the Committee or Managing Director shall be guided by the market conditions and various rules and regulations, if any, prescribed by the RBI or such other authority from time to time.

2. **KEY COMMITMENTS AND DECLARATIONS:**

Interest charged by the Company from its customers shall inter-alia have the following components viz., Reference Rate, Risk Rate, Additional/Default Rate.

2.1. **Reference Rate**:

Reference Rate shall represent the minimum rate chargeable for a specific product and specific customer segments, irrespective of the risk attached thereto. Reference Rate shall be arrived at after considering the following aspects:

a. **Cost of funds:**

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company.

b. **Return on Capital Employed:**

This component represents fair return on capital employed which is to be generated by the Company for servicing the owners' capital employed in the business. Thus, the Reference Rate shall be determined by considering the cost of funds, which is inclusive of the overhead/sourcing cost and fair return on capital employed.

2.2. Risk Rate:

Risk Interest shall be determined by considering the degree of risk involved in loan considering various factors like general economic conditions, customer category, income of the customer, loans taken/loan obligations of the customer, customer category servicing costs, mode of repayment, rating of the customer, credit score of the customer, loan to value ratio, tenor of loan, location of the customer, borrower's other financial commitments etc. The information shall be collated based on the borrowers input, credit bureau and field inspection by the Company officials.

The rate shall be the lowest for customers perceived as having lowest risk and vice-versa for the high-risk category. The risk premium further depends upon the grading of the customers and category or class of loans to be provided. The approach for gradation of risk is based on factors such as nature of loan, credit worthiness of the borrower, nature of security, type of asset being financed, borrower profile, repayment capacity, borrower's other financial commitments, past repayment, tenure of the loan, geography (location) of the borrower, end use of the loan as represented by the underlying asset etc.

2.3. Additional/Default Rate:

Loans remaining unpaid on due dates shall be charged penal interest at such rates as mentioned in bold in the respective customer agreements. Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements. There shall be no foreclosure rate/ prepayment penalty charged on floating rate interest loans sanctioned to the individual borrowers as per the Master Directions.

2.4. Other Factors to be considered:

The interest rate applicable to each loan account, within the applicable range shall also be assessed on a case specific basis, based on evaluation of various factors, such as:

- Structure of the deal
- Interest rate trend prevailing in the money market
- Long term prospects of business with the borrower
- Loan specific costs
- Company's cost of borrowings
- Customer negotiations/deviations
- Upfront charges

The Company shall also take into consideration the margin cap while deciding the rate of interest on a product. No maximum cap has been prescribed by the RBI. The same shall be charged on the basis of capital charge and profit margin of the Company. The Company may charge higher rate of interest for loans considering the factors mentioned herein above.

Charging interest at fixed rate or floating rate would be decided basis product category. It has been decided that fixed rate of interest would be charged for *(to be specified by the company)*.

3. **OTHER CHARGES:**

Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing 'No Due Certificates', NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary.

4. **DISCLOSURES:**

As per the extant regulations the following disclosures shall be made to the borrower:

4.1. There shall be appropriate disclosure of the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated in the sanction letter.

4.2. The annualised rate of interest shall be disclosed to the client.

4.3. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.

4.4. The rate of interest for various class of assets as revised from time to time shall also be displayed on Company's website.

5. **ADMINISTRATION, AMENDMENT AND REVIEW OF THE POLICY:**

The Board or the Committee shall be responsible for the administration, interpretation, application, and review of this Policy. The Board or the Committee shall also be empowered to bring about necessary changes to this Policy, if so, required at any stage at its own discretion or with the concurrence.