

Interest Rate Policy
of
ZOHO Finance Private Limited

VERSION HISTORY

Version control	Document Name	Date of Approval
1.0	Interest rate policy	14/12/2023
2.0	Interest rate policy	13/05/2024

Background

ZOHO Finance Private Limited (hereafter referred to as ‘the ZFPL’/ ‘the Company’) is a private limited company incorporated under the provisions of the Companies Act, 2013 and is a Reserve Bank of India (RBI) registered Non Systemically Important Non-Deposit Accepting (“NBFC-ICC”).

The Reserve Bank of India (RBI) vide its Notification and Master Direction for Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking NBFCs Directions, as amended from time to time (“RBI Regulations”), has directed all NBFCs inter alia to adopt interest rate model and make available the rates of interest and the approach for gradation of risk on web-site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by ZFPL, ZFPL has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company’s approach of risk gradation in this regard for its lending business.

I. Interest Rate Model

The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

- Company’s cost of fund: The rate at which the funds required to provide loan facilities to customers are sourced by the Company normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity, operating cost etc. are taken into consideration.
- Market rate/practice: Views of the Asset Liability Management Committee (“ALCO”) on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration.
- A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
- Term of the loan: Terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment, back ended payment schedule etc.
- The costs of doing business. Factors such as the complexity of the transaction, capital risk weight-age, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer.
- Security cover including valuation and collateral: A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral, or other aspects of transaction structure.
- Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

II. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- ❖ Profile and market reputation of the borrower,
- ❖ Group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment
- ❖ Inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed,
- ❖ Tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients,
- ❖ Type of asset being financed, end use of the loan represented by the underlying asset,
- ❖ Nature of lending i.e; secured / unsecured along with value of primary and secondary collateral / security in secured loan,
- ❖ Interest, default risk in related business segment,
- ❖ Regulatory stipulations, if applicable,
- ❖ any other factors that may be relevant in a particular case.

1. Rate of Interest

- Interest rates offered could be on fixed rate basis or floating / variable rate basis depending upon transaction / product structure.
- The Zoho Finance Pvt Ltd Lending Rate will be reviewed periodically by the ZFPL ALCO committee. The estimation and the methodology for calculating the ZFPL may be changed at any time by ZFPL as per market condition and views of ALCO.
- Presently, the annualized rate of interest* to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

Name of the Product	Range of Interest
Business Term Loan	14%-25%
Machinery / Equipment Loan	14%-20%
Business Loan - Secured	12%-20%
Startup Loan	14%-25%
Bullet Loan	14%-25%
Construction Equipment Loan	12%-25%
Agricultural and allied products Loan	6%-22%
Agri-Equipment Loan	12%-25%
Tractor Loan	12%-25%

- In exceptional circumstances, based on risk perception or other factors, this may fall outside the indicated range which shall be approved through delegated authority as provided by the Company in this regard.
- The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.
- The annualized 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.
- Loan amount, Annualised Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of instalments towards interest and principal dues shall be made available to the borrower.
- Besides normal Interest, the Company may levy additional interest as penal charges over and above normal interest rate for non-compliance with any of the sanctioned terms or for any delay or default in making payments of any dues. The details of **Penal** charges for late repayment will be mentioned in bold in the loan agreement and shall be communicated explicitly in the sanction letter.
- Besides interest, other financial charges like processing charges, 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. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
- The rate of interest applicable to each customer is subject to reset as the situation demands and is subject to the management's perceived risk on a case to case basis.

- Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review. Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.
- The interest re-set period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- In case of disbursements in tranches, the rates of interest may be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.
- Claims for refund or waiver of charges/ penal charges would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

2. Penal Charges:

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges and the Company shall not be levy it in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- The Company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- The Company shall formulate a Board approved policy on penal charges or similar charges on loans, which shall form part of the Company's interest rate policy.
- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed by ZFPL to the borrowers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on website of ZFPL under Interest rates and Service Charges.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the Company shall also communicate the penal charges. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- The penal charge shall not exceed 3.5 % at any point of time.

3. Disclosure

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Company website.

4. Applicability

The Policy shall be applicable on Loans and advances (other than Inter Corporate Deposits) made by the Company and shall not be applicable to investments of the Company.

5. Review & Amendments

This policy shall be reviewed and updated periodically for any changes. "In case any amendments issued by Reserve Bank of India in form of clarifications, circulars or guidelines or by any other name, which may not be consistent with the current provisions laid down under this Code, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the RBI communication and the same shall stand amended accordingly effective from the date as laid down under such RBI communiqué."

Any exception to this policy shall be approved by the Executive Director and any one Non-Executive of the Company and shall be submitted to the Board for ratification in the subsequent Board Meeting.