VALLABHI CAPITAL PRIVATE LIMITED

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INTEREST RATE AND CHARGES POLICY

1. PREAMBLE

Vallabhi Capital Private Limited (VCPL) is a Non-Banking Financial Company (NBFC) committed to empowering individuals and businesses, particularly in the MSME sector. We provide innovative and accessible financial solutions tailored to the needs of micro, small, and mid-sized enterprises, as well as salaried professionals, fostering financial inclusion and sustainable growth across India. Vallabhi Capital provides loan to MSME Sector, affordable housing, loan against property and other customized loan. Funds for such loans are sourced from banks and other financial institutions for on-lending to potential borrowers.

2. INTEREST RATE MODEL POLICY

The Reserve Bank of India (RBI), vide its **Master Direction RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26 - Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 dated November 28, 2025,** mandates that NBFCs establish internal principles and procedures for determining interest rates, processing, and other charges. In line with RBI guidelines and good governance practices, Vallabhi Capital Private Limited ("Vallabhi") has adopted the following updated guidelines, policies, procedures, and interest rate model for its lending business, ensuring transparency and compliance with regulatory requirements, including the provision of a Key Fact Statement (KFS) to all retail and MSME borrowers.

3. COMPONENTS OF INTEREST RATE OFFERED TO CUSTOMERS

Interest rates are determined by considering the following components:

- **Cost of Funds**: Vallabhi borrows funds from banks, NBFCs, investors, etc., through instruments like subordinated debt, term loans, non-convertible debentures, and commercial papers. The cost is influenced by the tenure of the facility, with longer tenures typically incurring higher costs.
- **Negative Carry**: Vallabhi maintains a liquidity buffer through investments in liquid funds and manage liquidity risk. Funds held in fixed deposits as security for pass-through certificate investments result in negative carry.
- **Operating Costs**: These include:
    1. Sourcing costs, customer onboarding, debt management, employee expenses, and technology costs.
    2. Costs for raising funds, such as processing fees, brokerage, rating fees, trusteeship fees, IPA commission on commercial papers, exchange listing fees, and stamp duty. These vary by borrowing type.
    3. Costs recovered separately via service charges are excluded from this component to avoid double charging.
- **Credit Risk Premium**: Determined using a credit risk rating/scoring model, this premium accounts for default risk based on customer relationship, expected losses, and collateral risk. Risk gradation details are provided in Section 6.

- **Tenor Premium**: Uniform across all loan products for a given residual tenor, this premium accounts for the cost of longer-term loan commitments.
- **Business Strategy Premium**: Reflects business strategy, market competition, interest rate type (fixed vs. floating), and loan product specifics.
- **Expected Return on Assets**: Vallabhi uses expected return on assets for each loan product to ensure business sustainability while maintaining fair, reasonable, and transparent interest rates for customers.

4. METHODOLOGY OF INTEREST RATE CALCULATION

The Board determines interest rates for each product, considering:

- Weighted average cost of borrowings, factoring in tenure, market liquidity, and refinancing avenues.
- Operating costs and stakeholders' expectations for a market-competitive return.
- Industry trends and competitor offerings.
- Nature of lending (secured/unsecured) and associated tenure.
- Nature and value of securities/collateral, customer risk profile (professional qualifications, income stability, financial track record, repayment history, credit reports, customer relationship, and business potential).
- Whether the customer is new to credit or existing.
- Other relevant factors as they arise.

5. APPROACH TO INTEREST RATE

- Vallabhi adopts a discrete interest rate policy, allowing rates for the same product and tenure to vary within a range based on the factors above.
- Interest rates may be fixed or floating/variable, with changes determined periodically based on market volatility, competitor review, and the repo rate environment.
- Additional charges, such as penal charges for adhoc facilities, cheque bouncing charges, or late payment penalties, may be levied within policy limits. Waiver of these charges is at Vallabhi's discretion.
- The interest reset period for floating/variable rate loans is determined periodically using the same criteria as for fixing rates.
- Interest is charged on a daily rest basis and recovered monthly, with specific terms outlined in the relevant product policy.
- Interest rates and EMI apportionment (interest vs. principal) are communicated to customers at the time of loan sanction via the Key Fact Statement (KFS), which includes the Annual Percentage Rate (APR), processing fees, penalties, and all other charges.
- Interest is payable immediately on the due date, with no grace period.
- Changes to interest rates or charges are prospective and communicated to customers as per loan agreement terms.
- Other charges, including processing fees, pre-payment/foreclosure charges, and service-related fees (e.g., No-Due certificates, NOC, insurance), are levied as necessary, with applicable GST. These charges are decided by Vallabhi's management and disclosed in the KFS.
- Refund or waiver requests for charges/penalties at Vallabhi's sole discretion.
- Vallabhi ensures transparency by providing a KFS to all borrowers, detailing all charges and interest rates, and addressing customer queries prior to loan agreements.

6. RISK-BASED INTEREST RATE PRICING

Customers are categorized into risk bands based on data points such as customer history, business history, credit history, sector, sub-sector, business revenues, banking history, and past loan history with Vallabhi. A data science model determines loan risk and assigns a risk-adjusted premium to the base rate to derive the final interest rate. Vallabhi avoids high-risk segments, such as politically exposed persons or those with dubious reputations.

Interest rates range from 15% to 30% per annum on a reducing balance basis, varying by product and customer based on credit/default risk, historical performance, applicant profile, repayment history, business nature, collateral value, and tenor.

S No	Product	Rate of Interest (PA)
1.	MICRO ENTERPRISE LOANS	20%-30%
2.	SME LOANS	16%-30%
3.	LOAN AGAINST PROPERTY	18%-26%
4.	AFFORDABLE HOUSING FINANCE	14%-20%
5.	GREEN FINANCE	18%-26%
6.	EQUIPMENT & MACHINERY LOANS	18%-26%

7. OTHER CHARGES

All charges are disclosed in the Key Fact Statement (KFS) provided to all borrowers, ensuring transparency in compliance with RBI guidelines.

ID	Charge Description	One-Time/Recurring	Amount/Rate
1	Due Date Change Charges	Recurring	₹1000 + GST
2	Foreclosure Letter Issuance	One-Time	₹1000 + GST
3	EMI Bounce Charge	Recurring	₹750
4	Legal Fee	One-Time	₹3500 + GST
5	List of Documents (LOD) Charge	Recurring	₹1000 + GST
6	Late Payment Penalty	Recurring	2% +GST
7	Loan Processing Fee	One-Time	0-6% + GST
8	Foreclosure Charges	One-Time	0-12 months from 1st repayment date of loan facility 7% of the principle outstanding, 13-24 months 6% of principle, 24-36 months 5% of principle outstanding and above 36 months 4% of principle outstanding.

8. BENCHMARK RATE

The applicable Bench Mark rate of our Company is 18.74%.

9. REVIEW OF THE POLICY

The interest rates and charges are reviewed periodically, with revisions decided by the Board. The policy is reviewed annually or as required by the Board of Directors, ensuring compliance with RBI guidelines.

Date: 30.04.2026
Place: Noida