DSP FINANCE PRIVATE LIMITED

INTEREST RATE POLICY

Version	Description	Prepared by	Approved by
1.0	Policy formation	Priya Ranjit	Board of Directors on September 29, 2024
1.1	Annual review	Sachin Agarwal & Sahib Pahwa	Board of Directors on June 27, 2025
1.2	Amendment	Sahib Pahwa	Board of Directors on February 12, 2026
1.3	Amendment	Sahib Pahwa & Saket Pachisia	Board of Directors on June 1, 2026

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1. Background:

As per Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 **("RBC Directions")**, Regulated Entities including NBFC's **("RE/NBFC")** are required to adopt an interest rate model considering relevant factors such as cost of funds, margin, operating cost, negative carry, 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 rates of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form, communicated explicitly in the sanction letter, be made available on the website of the companies or published in the relevant newspapers.

In compliance with the requirements of RBC Directions and other applicable guidelines such as Fair Practices Code adopted by DSP Finance Private Limited **("Company or DSP Finance"),** it has adopted its Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation.

2. Applicability

This policy shall be applicable for all the loans granted by the Company including Secured/Unsecured, Corporate **("FSG")** as well as retail loans granted by the Company.

3. Objective

The objective of this Interest Rate Policy is to establish a transparent, fair, and well-documented framework for determining, communicating, and reviewing the interest rates and related charges applied on various loan products offered by the Company. This policy is formulated in compliance with the applicable regulatory guidelines issued by the Reserve Bank of India **("RBI")**, including the Fair Practices Code, RBC Directions , and RBI (Non-Banking Financial Companies – Credit Facilities) Directions, 2025, as applicable to NBFCs.

Specifically, the policy aims to:

- **Ensure transparency** in the methodology for interest rate determination, including components such as risk premium, cost of funds, operating costs, and margin.
- **Standardize the process** for approval, revision, and communication of interest rates and Annual Percentage Rate **("APR")** to customers, including Key Fact Statements **(KFS)** and loan agreements.
- **Maintain fairness and non-discrimination** in charging interest and other fees, ensuring that similarly profiled borrowers are offered similar rates, subject to risk premium and other parameters as defined in this policy.
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- **Support responsible lending practices** by ensuring customers are not overburdened by usurious or opaque interest structures.
- **Promote customer confidence** through clear disclosures and grievance redressal avenues in case of disputes related to pricing.

4. Interest Rate Determination

The Company lends money through different product offerings to cater to the diverse needs of corporate and retail customers. The interest rates offered may be on a fixed or floating rate basis. The interest would be charged and recovered on a monthly/quarterly basis or on such other periodicity basis as per the different product offerings. In case of staggered disbursements, the rates of interest may vary and are subject to the rates prevalent at the time of disbursement.

In the case of floating-rate loans, the benchmark rate (IBLR), and spread shall be clearly defined in the facility letter or loan agreement. Interest resets shall occur as per the pre-agreed frequency and shall be communicated to the borrower in advance.

The interest charged by the Company to its customers shall, inter-alia, comprise of the following components:

a) Floating rate loans

Internal Benchmark Lending Rate **(IBLR)** which represents the base rate chargeable for a specific product and specific customer segments, independent of other factors.

The IBLR will be calculated and updated as per the Company's Internal Benchmark Lending Rate (**IBLR**) for floating rate loans.

Review and Approval: The IBLR calculation methodology, including assumptions and key components, will be approved by the ALCO. Any amendments to the methodology will be approved by the ALCO prior to implementation.

Frequency of IBLR Updates & Publication on website: The IBLR will be published on the website of the company. Any changes in the cost of funds, credit risk premium, or other key components will be reflected in the updated IBLR.

b) Fixed rate loans

Interest rate on all fixed rate loans shall be charged on a case-to-case basis considering the nature of business. The interest rate limits are defined in Annexure A.

c) IBLR Calculation Methodology:

The IBLR will be derived from a combination of the following key factors:

- **Weighted Average Cost of Debt (WACD):** The blended cost across all borrowings comprising of interest rate and ancillary fundraising costs like brokerage, rating fees, stamp duty, processing fees etc.
- **Cost of Equity**: The company funds its business with equity capital invested by shareholders. Cost of Equity represents the expected shareholder return on the capital deployed (share capital & reserves and surplus) in the Company
- **Operating Expenses:** Operating expenses, like employee costs, administrative expenses, marketing expenses (if any), sourcing costs, etc., including but not limited to treasury costs (such as rating agency fees, trustee fees, and IPA charges), may be considered.
- **Expected Credit Costs:** It includes the expected credit costs based on the latest estimates (updated for revisions, if any).
- **Macroeconomic Adjustments:** The Company’s Treasury team may incorporate any macroeconomic forecasts or potential shocks (such as inflation, interest rate changes, or geopolitical risks) as part of the IBLR calculation. This adjustment will be discretionary and based on prevailing market conditions and forecasts.

d) Determination of Spread

- **Risk Premium:** The risk premium will be added to reflect the risk of defaults or credit deterioration in the portfolio. It will be calculated based on the customer profiling and associated risk. Risk premium will cover potential credit loss risk and may vary by business, customer segment, geography, sourcing channel, credit score, past track record with banks/ FIs and other lenders, adequacy and type of security, valuation, etc. The rate may vary depending upon the internal assessment of the likelihood of delinquency or potential loss from customer segments and product Specific Premium/Discount (including leviable charges and customer specific premium/discount).
- **Customer Relationship and Vintage:** The Company may decide the interest rate taking into account the nature of relationship (eg. Long term vs short term) with the borrower, especially in the case of FSG clients. In cases where the business team sees cross-sell opportunities, the rates may vary accordingly. Borrower’s track record vis-a-vis previous loans, if any, granted by the Company shall also be one of the relevant factors when deciding on the interest rate.

- **Security and Collateral Offered:** The Company intends to grant secured loans for a major portion of its loan portfolio. Accordingly, the rates may vary depending whether the loan is secured or unsecured; Quality, liquidity, and enforceability of the collateral (if any) and Loan-to-Value (LTV) ratio on a particular loan and all other current loans.

5. Strategic Business Priorities

The Company works with various Digital Lending Partners, including Loan Service Providers (LSPs) and Digital Lending Applications (DLAs), each catering to distinct customer segments with varying risk profiles, and accordingly, interest rates offered across platforms may differ based on commercially agreed terms. While the Internal Benchmark Lending Rate (IBLR) serves as the primary reference rate, certain products may be linked to external benchmarks such as the Repo Rate, T-Bill yields, or MCLR, where deemed appropriate for business, pricing, or risk management purposes. For FSG transactions, rates may be linked to any such benchmark or may be fixed, and loan agreements may further provide for interest rate resets on specified dates, events, or as mutually agreed with the borrower.

6. Approach for Gradation of Risk

The rate of interest may vary across customers for the same product and tenor, based on their individual risk profile and applicable risk premium, as defined in this policy. The Company follows an interest rate framework, whereby pricing is determined on a case-to-case basis, taking into consideration one or more relevant factors including but not limited to creditworthiness, risk gradation, and commercial terms.

7. Key Facts Statement (KFS)

As required under the RBC Directions, the Company shall issue KFS to its Retail and MSME Customers containing all information required to assist the customer in taking an informed decision regarding the Loan being offered. The KFS shall comply with the format prescribed by the RBI and shall disclose the Annual Percentage Rate **("APR")** representing annual cost of credit to the customer for availing the loan including interest rate and other charges associated with the loan facility.

The Company offers a cooling-off period of three (3) days post sanction and execution of the loan contract, during which the customer may exit the digital loan by repaying the principal and proportionate APR without any penalty. Where the customer elects to exit during this period, the Company shall be entitled to retain the processing fee, and such retention shall be expressly disclosed in the KFS.

8. Penal/Additional Charges

With an intent to inculcate a sense of credit discipline in the customers i.e. to encourage timely repayment and discourage delinquency, besides normal interest, the Company may collect penal / late payment charges for any delay or default in making payments of any dues. These penal / late payment charges for different products or facilities would be decided by the Company from time to time and will also be mentioned in the respective customer agreements in **bold**.

There shall be no foreclosure rate/ prepayment penalty charged on floating rate term loans sanctioned for purposes other than business purpose to specific customer segments (individual customers) as per the RBI Directions. Please refer to **Fees and Charges policy** as adopted by the Company for details.

However, in case of FSG clients, the penal / late payment charges, foreclosure rate/ prepayment charges will be negotiated bilaterally with each client.

9. Other charges

Besides interest, other financial charges like processing fees, dishonour charges, annual maintenance charges, mandate swaps, penal charges, security addition charges, security swap & exchange charges, etc. would be levied by the Company wherever considered necessary.

All such fees and charges shall be set out in the key fact statement (KFS) and Sanction Letter issued to the customers and shall be in accordance with **Fees and Charges policy** of the Company. Any fees, charges, etc. that are not mentioned in the KFS, shall not be charged to the borrower at any stage during the term of the loan, without explicit consent from the customer.

10. Policy Review and Revision of Interest Rates

- The Board of Directors shall have oversight on the Interest Rate Policy. This Policy shall be effective from date of the approval of the Board of Directors of DSP Finance.
- The Asset-Liability Committee (ALCO) shall decide the interest rates to be offered for all loan products of the Company. IBLR shall be reviewed as per the guidance from ALCO from time to time.
- The interest rate policy shall be reviewed at least on an annual interval or as required based on regulatory updates.
- Interest rates will be reviewed when there is a change in market conditions, cost of funds, and regulatory requirements.
- Any changes will be communicated proactively in advance to customers through appropriate channels.

11. Transparency and Disclosure for Customers

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

- The information regarding interest rates, fees and charges will be made available on the website.
- The rate of interest shall be disclosed upfront to the customer/borrower at the time of sanctioning of the loan.
- Any change in the interest rate or other charges shall be made prospectively.

The amounts of interest and other charges levied on the customers will be charged/levied and rounded off to the nearest rupee.

In addition, for Retail Customers the following disclosures will be made.

- The interest rate shall be shared with the customer in a transparent manner.
- Any changes in the interest rate shall be communicated through SMS, Email, letter (whichever available) and notified on the website.
- Any increase in fees or charges shall be communicated to the customer through available modes such as SMS, E-mail, statements of accounts and posted on DSP Finance's website prior to the effective date of implementation of the revised fee/charge.
- The rate of interest for various class of assets as revised from time to time shall also be displayed on Company's website.

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<u>Annexure A</u>

Corporate Lending (Financing Solutions Group):

- Given that FSG provides structured finance solutions, it often involves tailored pricing due to varying credit risk profiles of Borrowers, collateral quality, cash flow structures, market conditions, and loan tenor. Accordingly, Interest rates for structured finance solutions typically would range from ***8.5% to 24% per annum.**

Retail Lending:

- Following are interest rates for retails loans:

Lending Assets	**Range of Interest**
Loans against Mutual Funds	9% to 15% p.a. *
Loan against Shares	9% to 15% p.a. *

**In exceptional circumstances, based on risk perception, this may fall outside the indicated range which shall be approved as per the deviation mechanism approved by the Company*