

INTEREST RATE POLICY

DSP FINANCE PRIVATE LIMITED

(Formerly known as DSP Investment Managers Private Limited)

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. Background:

As per RBI Master Directions – Scale Based Regulations, 2023 (“**SBR**”), Regulated Entities including NBFC’s (“**RE/NBFC**”) are required to adopt an interest rate model considering relevant factors such as cost of funds, margin 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 SBR and other applicable guidelines such as Fair Practices Code adopted by DSP Finance Private Limited (“**Company or DSP Finance**”), it is now 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 on all the loans granted by the Company including Secured/Unsecured, Corporate (“**FSG**”) and other retail loans as may be decided by the management of the Company as part of its business strategy.

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, SBR, and Digital Lending 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 and product-based differentiation.
- **Enable risk-based pricing** by aligning the interest rate to borrower creditworthiness, tenure, security, repayment mode, and product type.
- **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 the different products being offered. 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), spread, and reset frequency 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 from its customers shall, inter-alia, have the following components:

- a) **Reference Rate / 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) Policy for only retail loans.

On all FSG loans interest rate shall be charged on a case-to-case basis considering the nature of business.

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

Frequency of IBLR Updates & Publication on website: The IBLR will be published at regular intervals or as may be deemed necessary. Any changes in the cost of funds, credit risk premium, or other key components will be reflected in the updated IBLR. The updated IBLR will be published on the Company's official website at regular intervals or as may be deemed necessary.

- b) **Other relevant factors, including:**

- **Credit Risk Premium:** The credit 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 risk associated. 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.
- **Operating Expenses:** Operating expenses, like employee cost, 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.
- **Servicing Cost:** This spread captures the variable cost of loan servicing when performed by LSPs, DSAs, and other external partners. This includes collections, customer support, compliance, monitoring functions, etc. The spread is dynamic and may vary by channel efficiency, borrower profile, and performance metrics
- **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.
- **Customer Relationship and Vintage:** The Company may decide the interest rate on an existing long-term relationship with the borrower, especially in the case of FSG clients. In cases where the business team sees cross-sell or up-sell opportunities, the rates will vary accordingly as well. Performance on previous loans with 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

- Considering the Company works with various Digital Lending Partners such as Loan Service Providers ("LSP") and Digital Lending Applications ("DLA") for its retail loans and all have their own niche type of customers to whom the Company lends therefore the risk appetite and lending targets for each LSP may vary as per commercials agreed with each one and accordingly the interest rates offered on the LSP platforms may be different.

- While the IBLR serves as the primary reference rate for loans, certain loan products may be linked to external benchmarks such as the Repo Rate, Treasury Bills (T-Bill) yields, or the Marginal Cost of Funds-Based Lending Rate (MCLR) of other banks.
- Such exceptions will be permitted only under specific circumstances where external benchmarking is deemed more appropriate for business requirement, pricing alignment, risk management, or market competitiveness and/or practice.
- Given the nature of transaction for FSG, clients' interest rates can be linked to the above-mentioned reference rate or to an external benchmark rate as may be agreed with the borrowers or may even be fixed rate loans.
- There may also be an interest reset option in which case interest rates are reset on specific dates, events or as agreed with borrower.

6. Approach for Gradation of Risk

The risk premium attached to a customer shall be assessed inter-alia based on the following factors. DSP Finance shall determine the risk level associated with customers / borrowers and charge the interest rate accordingly with a change in the risk premium.

- General economic conditions
- Profile of the customer, industry, source of income, geographical location, ticket size of the loan, tenure of the relationship
- Internal/External Rating of the customer/borrower, Credit score of the customer, past repayment track record
- End use of funds
- Repayment capacity based on income / cash flows and other financial commitments of the customer/borrower
- Quality of collateral - Nature and value of primary and secondary collateral / security
- Interest, default risk in related business segment
- Structure of the deal including tenor and subvention benefit if any.

The company has a discrete interest rate policy, hence the rate of interest for the same product and tenor availed during same period by different customers need not be standardized. It could vary for different customers based on the consideration of one or more of the above factors.

7. Key Facts Statement (KFS)

As required by RBI in its circular issued on April 15, 2024 – Key Facts Statement for Loans & Advances, the Company shall issue KFS to its Retail and MSME Customers containing all information required to assist the customer in taken an informed decision regarding the Loan being offered. The KFS shall comply with the format prescribed by the RBI shall also 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 shall offer a Validity period of **Three (3) days** from the date of issue of KFS, validity period meaning the period available to the customer to agree to the terms of the loan and if the customer agrees to the terms of the loan within such validity period, the Company shall be bound by the same terms.

Post the loan sanction and execution of the loan contract, a cooling off period of **Three (3) days** shall be given to the customer, during which period the customer shall be given an explicit option to exit the digital loan by paying the principal and the proportionate APR without any penalty during this period.

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 interest on term loans sanctioned for purposes other than business purpose to specific customer segments (individual customers) as per the Master Directions. Please refer to **Fees and Charges policy** as adopted by the Company for details.

However, in case of FSG, 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 prepayment processing fees, legal charges, cheque bouncing charges, dishonor charges, part disbursement charges, mandate swaps, RTGS/ other remittance charges, commitment fees, charges on various other services duplicate statement, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary

All such other fees and charges shall be set out in the key fact statement (KFS) and sanction letter issued to the customers and in accordance with **Fees and Charges policy** of the Company.

10. Policy Review and Revision of Interest Rates

- The Board of Directors shall have oversight into 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 determination process and 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.

Corporate Lending (Financing Solutions Group):

- Given that FSG provides structured finance solutions, it often involves tailored pricing due to varying credit risk profiles of Borrower, 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*