Vridhi Finserv Home Finance Limited (VFHFL)

INTEREST RATE POLICY
Version V6.0

Approving Authority	Board of Directors
Reviewing Authority	Compliance Department
Original Issue Date	28th September 2023
Last Review Date	11th November 2026
Policy Making Body	Operations Department
Effective Date	11th November 2026

A. Background:

The Company is engaged in the business of providing housing loans bearing fixed/ floating rate of interest, therefore, it is essential to lay down a framework for determination and application of interest rates on the loans offered by it. Further, the National Housing Bank ('NHB') has also advised to have a Board approved Interest Rate Policy, taking into account relevant factors such as margin and risk premium charged to different categories of borrowers.

Based on the above context, the Board has adopted this Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard, for its lending business, which is drawn in line with the business requirements, and also the applicable RBI directions/ circulars/ notifications including Reserve Bank of India (Housing Finance Companies) Directions, 2025, as amended from time to time. Further, the contents of this Policy shall stand automatically amended in case of any amendments / revisions issued by the Reserve Bank of India ('RBI') or any other regulatory body from time to time.

The Committee, officer, or executive to whom the powers have been given for fixation of rates of interest on financial facilities shall be guided by this Policy.

B. Definition

ALCO	Shall mean the Asset Liability Committee formed by the Company
Board	Shall mean the Board of Directors of the Company
Company	Shall mean Vridhi Finserv Home Finance Limited
Policy	Shall mean this Interest Rate Policy formulated by the Company.
VHFPLR	Shall mean Vridhi Housing Finance Prime Lending Rate

C. Exclusion from the interest rate

The interest rate shall not include the following (the exclusion list is inclusive in nature and shall not be only limited to the components below):

i. Step-up Interest
ii. Processing costs
iii. Document charges
iv. External Costs
v. Penalties, including late penalties
vi. Contingent charges
vii. Prepayment charges
viii. Third party benefits such as subventions, subsidies etc.
ix. Any other cost as may be determined by the Company

These charges would be leviable by the Company wherever applicable. Besides these charges, stamp duty, GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect and will be communicated to the borrowers in the vernacular language or

a language as understood by the borrower through acceptable modes of communication channels like SMS/ email, etc. These charges would be decided upon in consultation with MD & CEO, CFO & COO.

D. Nature of interest to be charged on the loans

The Company may offer loans on both fixed rate and floating rate basis.

The fixed interest rates will be arrived based on cost of borrowing, overheads, credit costs, risk premium, tenor, return on capital employed (ROCE) amongst other things. The rates offered would vary basis the gradation of risk premium considering a combination of various factors such as borrower's profile including age, number of dependents, residential stability, type of employment and length of service, primary and secondary income, vintage and growth in business (if self-employed), nature and type of collateral security, brand/resale value of property, past repayment track record, past association with Vridhi, credit score, loan to value etc.

The rates offered at fixed rates would be reviewed annually or at a lesser frequency as decided by the Asset Liability Management Committee (ALCO).

The floating rate loans shall be based on a reference rate, which is VHFPLR, the manner of determination of which has been mentioned below.

E. Determining VHFPLR

VHFPLR shall be used as benchmark for floating rate loans, and the final interest rate charged to the customer will be at a spread (positive or negative or zero) to this base rate. The VHFPLR shall be arrived at after considering the following aspects:

i. **Cost of Borrowing:**

The first element of the VHFPLR is the cost of borrowing of the Company, which is the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. In this regard, interest, and incidental charges would also include the rates charged by any co-lending partner under any co-lending partnership arrangement as well.

ii. **Return on Capital Employed**:

The second element of the VHFPLR is the expected return on capital employed which is to be generated by the Company for servicing the owners' capital employed in the business.

iii. **Overhead costs:**

The third element influencing the Reference Rate is the overhead/sourcing cost incurred for sourcing and processing the loan application including, but not limited to employee costs, office expenses, insurance premium, if any, marketing expenses etc.

The VHFPLR therefore is the summation of the cost of borrowing, overhead/ sourcing cost, expected return on capital employed.

The VHFPLR shall be reviewed by the ALCO half-yearly or on need basis and be published on the Company's website.

The interest rate for VHFPLR linked loans shall be reset on a monthly basis post change (if any) in the benchmark PLR by the ALCO of the Company and would be effective from the date the customer as approved by ALCO with due communication to the customer.

However, the Reference Rate is further adjusted based on the risk profile of the borrower by factoring in a risk premium, which may be an addition or subtraction from the Reference Rate. The manner of computation of risk premium has been provided below:

F. Risk premium

Risk premium (estimate of credit losses) shall be determined by taking into account the minimum margin the company wants to maintain along with degree of risk involved in loan considering various factors like general economic conditions, customer category, customer category servicing costs, repayment capacity, mode of repayment, past repayment history, Loan-to-value ratio, tenure of loan, location of the customer, nature of security, etc. The rate shall be the lower for customers perceived as having lower risk and higher for the high risk category.

G. Step-up Interest

Step-up interest is in the nature of interest towards the loan considering the credit risk associated with an uncollateralized or under-collateralized loan. In case the security interest is not created or construction of house is not completed within the agreed period, the credit risk shall be higher hence requiring an increase in the rate of interest as well.

The step-up interest would be levied by the Company in following cases :

- In case the borrower does not create/execute the security within the time specified by Company or duly extended, Company shall be entitled to charge step-up interest, so long as the said security is not created/executed/extended or perfected to the satisfaction of Company.
- In case the borrower fails to construct a house on the plot for which loan was granted within the period which was agreed at the time of sanction of the loan.

The maximum step-up interest that can be charged shall be upto 3% over and above the contracted rate of interest.

H. Additional/ Default Rate

Loans remaining unpaid on due dates shall be charged penal charge at such rates as mentioned in bold in the respective customer agreements. Penal charges levied to customers shall not exceed the below limits.

Penal Charges/Late Payment Charges - 24% p.a. (non-capitalized) charged for the period installment remained overdue.
Bounce Charges – Rs. 650 + GST per instance

I. Prepayment Charges

All loans which are pre-paid shall bear prepayment penalty at rates mentioned in the respective customer loan agreements. There shall be no foreclosure rate/ prepayment penalty charged in case of

a. Existing loans sanctioned or renewed on or before 31 December 2025, being floating-rate term loans sanctioned to individual borrowers for purposes other than business, with or without co-obligant(s).

b. Loans and advances (term loans as well as demand loans) sanctioned or renewed on or after January 1, 2026:
(i) Floating-rate non-housing loans sanctioned to individuals for purposes other than business, with or without co-obligant(s).
(ii) Floating-rate non-housing loans sanctioned for business purposes to individuals and Micro and Small Enterprises (MSEs), as defined under the Micro, Small and Medium Enterprises Development Act, 2006, with or without co-obligant(s), where the sanctioned amount or limit does not exceed ₹50 lakh.

c. fixed rate/floating rate housing loans if the loan is pre-closed by the borrower out of their own funds.

For all other loans, the Company will levy the Prepayment penalty/Foreclosure Charges up to maximum 5% + Government Charges/ Taxes and the same shall be specified in the 'Schedule of Charges' document updated on the website.

J. Other governing principles

The information required for arriving at the final interest rate is gathered based on information provided by the borrower's credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- The interest could be charged on monthly rests.
- Final lending rates would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

- Claims for refund or waiver of charges/ penal charges / step-up interest would normally not be entertained by the Company, and it is at the sole discretion of the Company to deal with such requests.

K. Disclosures

The Company shall, along with the disclosures prescribed under applicable laws, ensure the following:

- Appropriate disclosure of rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of customers in the application form and the sanction letter. This shall also be available on the website of the Company .
- The annualised rate of interest shall be disclosed to the customer at all times including at the time of sanction or availing the loan and the EMI apportionments towards interest and principal dues.
- Any change in the interest rate, step-up interest or other charges shall be made prospectively and this condition shall be adequately disclosed in the loan agreement.
- The borrower shall be duly notified about the changes in terms and conditions including, interest rates, step-up interest, service charges, prepayment charges etc. Such 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.
- The rate of interest for various classes of assets as revised from time to time shall also be displayed on the Company's website, if any.
- Any service charges, prepayment charges as charged to the customer shall be disclosed appropriately to the customer.

L. Review of the Policy

This Policy may be altered/revised as per changes in the market scenario and/ or statutory guidelines. The Policy shall be reviewed at least once in a year or as and when there are any amendments in the applicable guidelines.

M. Change control record

Version No.	Change Request by	Memorandum of Change	Approval date
1.0	Compliance Department	-	28th September 2023
2.0	Compliance Department	-	29th March 2024
3.0	Finance Department	-	5th February 2025
4.0	Operations Department	-	9th March 2026
5.0	Operations Department	-	6th August 2026
6.0	Operations Department	-	11th November 2026