INTEREST RATE POLICY

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Registered Office: 12/1 (10/1), Varadappan Street West Mambalam, Chennai - 600033
+91-6384600199 compliance@tenmarkcapital.com

1. INTRODUCTION

The Company has been following certain procedures and practices in the matter of fixing interest rates on gold loans and other loans (assets). Interest rates are not controlled by the Reserve Bank of India. Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 prescribes that the Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. This interest rate policy is put in place in compliance with the SBR guidelines on interest rates. Further, the RBI vide circular DOR.CRE.REC.66/21.07.001/2022-23 dated September 2, 2022 has issued guidelines for providing loans through its **DLAs and LSPs** (both terms have been defined hereinafter). The specific points referred to in the above referred RBI circular are:-

- Charging of excessive interest rates by NBFCs.
- The need for adoption of an interest rate model along with approach for gradations of risk & rationale for charging differential rates.
- Disclosure of rates of interest rates, changes thereof and publicity thereto.
- Adoption of annualized rates of interest while dealing with customers.

"**LSPs**" shall mean "*an agent of a Regulated Entity who carries out one or more of lender's functions or part thereof in customer acquisition, underwriting support, pricing support, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of REs in conformity with extant outsourcing guidelines issued by the Reserve Bank*".

"**DLAs**" shall mean "*Mobile and web-based applications with user interface that facilitate digital lending services. DLAs will include apps of the Regulated Entities (REs) as well as those operated by LSPs engaged by REs for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank*."

2. OBJECTIVE OF THE POLICY

The main objectives of the interest rate policy are to:-

- Ensure alignment with best market practices of peers and structural transparency apropos regulatory acceptable elements in the pricing framework.
- Ensure that interest rates are determined in a manner ensuring long term sustainability of business by taking into account the interests of all stakeholders.
- Develop and adopt a suitable model for calculation of a reference rate.
- Enable fixation of interest rates which are reasonable in consideration to the risk parameters.
- Ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices.
- Charge differential rates of interest linked to the risk factors specific to products as applicable.

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3. METHODOLOGY OF CHARGING INTEREST TO CUSTOMERS:

Keeping in view the RBI's guidelines and Master Directions as cited above, as amended from time to time, and the good governance practices, TCPL had adopted the following internal guidelines, policies, procedures and interest rate model for its lending business.

The RBI has advised all NBFCs, inter alia, that the rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practices. Therefore, RBI directed that the Boards shall approve an Interest Rate model for the company, taking into consideration relevant factors such as cost of funds, margin, and risk premium etc. and determine the rate of interest to be charged for loans and advances.

The average yields and the rate of interest under each product offered by the Company are decided from time to time, giving due consideration to the following factors:

- **a.** The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc;
- **b.** Operating cost in Company's business and maintaining the stakeholders expectations for a reasonable, market-competitive rate of return;
- **c.** Inherent credit and default risk in business;
- **d.** Nature of lending, for example unsecured/secured, and the associated tenure;
- **e.** Nature and value of securities and collateral offered by customers.
- **f.** Subventions and subsidies available, if any
- **g.** Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- **h.** Industry trends - offerings by competition.

The Company considers the aforementioned factors while arriving at a rate of interest. Additionally, under this Interest Rate Policy:

a. The Company shall adopt a discrete interest rate policy which means that the rate of interest for the same product and tenor availed during the same period by different customers may not be standardized and may vary for different customers depending upon consideration of any or combination of above factors.

b. The interest rates offered could be on a fixed basis or variable basis. Changes in interest rates would be decided at any periodicity, depending upon various factors including but not limited to cost of capital, market volatility, regulatory requirements and competitor review.

c. In the present interest rate model, the interest rate charged to the borrowers, at the time of sanctioning of loan, could range upto 36% on reducing balance basis, depending on the scheme, loan product, borrower's risk profile and credit history.

d. The interest reset period would be decided by the Company from time to time as per this Policy.

e. The interest could be charged on monthly rests for different products/ segments.

f. Interest rates and apportionment of any payment towards interest and principal dues would be intimated to the customers either at the time of onboarding of the customer or upon sanctioning of the loan.

g. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

h. Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and the manner deemed fit. Interest Rate Policy would be uploaded on the website of the Company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company or published on the website of the LSPs. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the Senior Management of the Company.

i. Besides these charges, stamp duty, GST and any other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided upon by respective business / product heads in consultation with operations, finance and legal heads.

j. Besides interest, other financial charges like processing fees, pre- payment/ foreclosure charges, RTGS/ other remittance charges, payment gateway charges, CERSAI fees, charges on various other services like issuing NO DUE certificates, NOC, etc. would be levied by the Company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.

k. While deciding the charges, the practices followed by the competitors in the market may also be taken into consideration.

l. Claims for refund or waiver of charges / penal charges / interest rate differential would normally not be entertained by the Company, and it is at the sole discretion of the Company

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to deal with such requests.

m. Further, in compliance to the Digital Lending Guidelines issued by RBI dated September 2, 2022 where loans are outsourced by the Company in the digital lending platforms through LSPs or DLAs, the Company shall ensure that a Key Fact Statement ("**KFS**") is issued to the customers before the execution of the loan agreement in a standardized format for all digital lending products.

n. The KFS shall, apart from other necessary information, contain the details of Annualised Percentage Rate ("**APR**") and all other charges levied on the borrower for the loan. Any fees, charges, etc., which are not mentioned in the KFS shall not be charged to the borrower at any stage during the term of the loan. APR is the effective annualised rate charged to the borrower of a loan. APR shall be based on an all-inclusive cost and margin including cost of funds, credit cost and operating cost, processing fee, verification charges, maintenance charges, etc., and exclude contingent charges like penal charges, late payment charges, etc. APR shall be disclosed to the borrowers upfront by the Company during the onboarding of the borrower.

o. Besides normal interest, the Company may levy additional / penal charges for delay or default in making payments of any dues. These additional or penal charges for different products or facilities would be decided by the respective business / product heads. The penal charges levied, if any, on the borrowers shall be based on the outstanding amount of the loan. Further, rate of such penal charges shall be disclosed upfront on an annualized basis to the borrower in the KFS and shall be included in bold in the loan agreement.

p. Company shall provide a cooling off/look up **period of 3 days from the disbursal date of the loan** to the borrowers in case the borrower decides not to continue with the loans. A borrower shall be given an explicit option to exit loan by paying the principal and the proportionate APR without any penalty during this period. The cooling off period shall be determined by the Board of the Company. The cooling off/look up period shall be disclosed to the borrowers in the KFS.

q. Interest rate models, the approach for gradation of risks, base lending rate and other charges, and their periodic revisions are made available to the prospective and existing customers through Company's website.

r. The Board of the Company shall be responsible for the administration, interpretation application and review of this Policy. The Board shall also be empowered to bring about necessary changes to this Policy, if so required at any stage at its own discretion.

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Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans:

At the time of sanction of EMI based floating rate personal loans, the Company is required to take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan.

a. At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

b. At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan, based on the product availed by the customer, which shall be intimated to the customer as part of the documentation kit.

c. The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ prepayment penalty shall be subject to extant instructions.

d. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.

e. The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

f. The Company shall share/ make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left, for the entire tenor of the loan. The Company shall ensure that the statements are simple and easily understood by the borrower.

g. Apart from the equated monthly instalment loans, the above regulations shall also be applicable to all equated instalment-based loans of different periodicities.

4. RISK BASED GRADATION OF INTEREST RATES

The Lending Rate will be different for different categories of borrowers, considering profile of the customer, tenure of customer relationship, past repayment track record, customer segment, market reputation, inherent credit and default risk in the products, subventions and subsidies available, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, Loan-to Value (LTV) ratio, nature and value of primary and collateral security etc. The Lending Rate is determined on a case-to-case basis.

Price of each loan product will be derived after considering the following risks:

a. Credit risk premium

Credit risk premium shall be computed based on the portfolio behaviour, credit cost arrived at on the basis of net write off, loss rates, Credit score of the borrower etc.

b. Differential Pricing

As necessitated by business or strategic reasons, the Company may consider under certain situations a differentiated interest rate structure for its products. This will follow a policy framework based on defined parameters with the objective of market penetration or to counter competition and will be approved by the Board of Directors.

This will be within the overall policy framework explained in the policy. Any deviation from policy necessitates approval from the policy approving authority.

5. PRICING OF GOLD LOANS

a. Rate of Interest

- Considering the nature of the Gold loans (collateral valuation being vital) the major inherent risk is the Loan to Value (LTV) or Loan per Gram. Since a higher LTV translates to a higher risk it stands to reason that LTV and Interest rate should be correlated. Accordingly, assuming all other factors to be the same a higher LTV loan should attract a correspondingly higher interest rate as compared with a lower LTV loan.
- The LTV linkage with interest rate shall be at the time of sanction of loan and cannot be changed subsequently due to movements in the overall collateral coverage arising from market movements in gold prices.

b. Rebate on Gold Loan Interest: Considering the competition in the market, TCPL may introduce loan schemes from time to time where rebate will be given on interest charged to the customer on gold loans. Schemes offering rebate on interest rates may be considered on fulfillment of conditions laid down in the loan agreement executed with the customer. The extent and value of rebate may vary from customer to customer depending on various parameters.

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c. **Due date for servicing interest:** Interest shall be serviced as per the terms of sanction of the credit facilities, ie. Monthly, quarterly, half yearly or at the end of the tenure of the loan along with principal. Interest will be calculated from the date of disbursement and shall be charged till the day of closure of the account on the principal outstanding.

6. PRICING OF PERSONAL LOANS

a) **Rate of Interest** Considering the risk profile of the customers, their credit history, repayment capacity, etc the rate of interest will be defined within the range given in this policy.
b) upon fulfilling conditions laid down in the loan agreement,
c) **Rebate on personal Loan Interest:** Considering the competition in the market, TCPL may introduce loan schemes from time to time where rebate will be given on interest charged to the customer on personal loans. Schemes offering rebate on interest rates may be considered on fulfillment of conditions laid down in the loan agreement executed with the customer. The extent and value of rebate may vary from customer to customer depending on various parameters.
d) **Due date for servicing interest:** Interest shall be serviced as per the terms of sanction of the credit facilities, ie. Monthly, quarterly, half yearly or at the end of the tenure of the loan along with principal. Interest will be calculated from the date of disbursement and shall be charged till the day of closure of the account on the principal outstanding.

7. INDICATIVE RANGE OF INTEREST CHARGED TO CUSTOMERS

Product	Interest Rate Range
Gold loans	9.9% – 28%
Unsecured loans	12% - 36%

8. DISCLOSURE REQUIREMENTS:

a. **New loans:**

➢ Quantum and reason for penal charges shall be clearly disclosed in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable.

➢ Penal charges shall be disclosed through the website under interest rate policy and Schedule of Charges.

b. **Existing loans:** Intimate the borrower of the regulatory change by way of sending intimations or by disclosing it on the website.

c. **Common to existing and new loans:** Intimate all borrowers about the applicable penal charges at the time of sending reminders for paying EMIs / instalments and non-compliance of material terms and conditions.

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9. GENERAL

a. Appropriation of Charges & Interest

Gold Loans: Remittances to the borrowers' account shall be appropriated in the order of Interest, Penal charges and principal. Other charges like auction expenses, insurance etc will be collected at the time of settlement.

Personal Loans: Remittances to the borrowers' account shall be appropriated in the order of, interest overdue, principal overdue, penal charges and current dues.

Advance Payments: Any advance payments made by the borrowers shall be adjusted with the interest accrued for that month and the balance will be adjusted towards the principal outstanding for computation of interest.
Interest should be charged for the amount actually disbursed. No interest shall be charged between the date of sanction and the date of disbursement.

b. The rates of interest for the same product and tenor availed during the same period by different customers need not be standardized but could be different for different customers depending upon consideration of factors like credit risk.

c. TCPL shall intimate the borrower loan amount, annualized rate of interest, periodicity of interest application, tenure and amount of monthly installment application at the time of sanction of the loan.

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