

HEDGE FINANCE LIMITED

Reg. Off.: HEDGE HOUSE MAMANGALAM PALARIVATTOM P.O,

KOCHI, Kerala – 682025

CIN: U65923KL2011PLC027672

Interest Rate Policy of Hedge Finance Ltd (HFL)

Policy on Determination of Interest Rates, Processing, and Other Charges

I. Introduction

This policy outlines the principles and procedures adopted by Hedge Finance Limited (HFL) for determining interest rates, processing fees, and other charges applicable to its loan products. It ensures compliance with the Reserve Bank of India's (RBI) guidelines and promotes transparency and fairness in dealings with customers. This policy supersedes all previous policies on the subject and shall remain the final governing document until revised.

II. Objectives

- **Compliance:** Adhere to RBI guidelines and other applicable regulations.
- **Transparency:** Clearly communicate interest rates and charges to customers.
- **Fairness:** Ensure that pricing is equitable and reflects the risk profile of borrowers.
- **Customer Confidence:** Foster trust by avoiding overcharging and adopting clear principles for interest rates and charges.

III. Applicability

This policy applies to all loan products offered by HFL. It will continue to be applicable to any new products developed and provided by the company to its customers.

IV. Review of Policy

The policy shall be reviewed annually or as required due to changes in the model, regulatory requirements, or market conditions.

V. Organizational Structure

- **Board of Directors:** Responsible for oversight of the interest rate policy. Implementation may be delegated to the Managing Director and /or Asset Liability Committee (ALCO) as deemed fit.
- **Asset Liability Committee (ALCO):** Responsible for decisions regarding changes to the benchmark rate. Any changes will be discussed and decided by ALCO members and reported to the Board in subsequent meetings.

VI. Interest Rate Model

HFL lends through various products to cater to different customer segments, including:

- MSME Loans (Secured /Unsecured)
- Vehicle Loans
- Business (Secured and Unsecured Loans)
- Hypothecation loans (Individual salaried, Individual self-employed, SMEs)
- Mortgage loans (Individual salaried, Individual self-employed, SMEs)

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- Commercial Loans to corporates
- Loan against securities
- Personal Loans
- Staff Loans

The interest rate benchmark is determined by considering the following factors:

- **Weighted Average Cost of Borrowing:** The average cost incurred by HFL to raise funds through various sources such as Non-Convertible Debentures, sub debts, term loans, etc.
- **Cost of Equity:** The expected return on equity demanded by the company's shareholders.
- **Operational Expenses (Opex):** Includes employee expenses, branch-related costs, operations costs, sales, and marketing expenses.
- **Base Return on Assets (ROA):** The minimum return expected by the company on its assets.

Interest Rate Range: HFL shall determine interest rates for loans within the range of **12% to 36%**, based on the borrower's risk profile. Customers with higher risk weightage will be charged higher interest rates, while lower-risk borrowers will be eligible for more competitive rates.

VII.Principles and Procedures for Charging Spreads

The final lending rate for various business segments and schemes is arrived at after adjusting the benchmark rate by a spread, which considers factors such as:

- Interest rate risk
- Credit and default risk in the related business segment
- Historical performance of similar clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Secured vs. unsecured loan
- Ticket size of loan
- Credit Bureau Score
- Tenure of Loan
- Customer Indebtedness (other existing loans)

The rate of interest for the same product and tenure availed during the same period by different customers may vary depending upon the consideration of the above factors.

VIII. Other Charges

In addition to interest rates, HFL may levy the following charges:

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- **Processing Fees:** A one-time fee to cover the cost of processing the loan application as decided by Hedge Finance Ltd. And will be communicated to the borrowers in each instance.
- **Penal Charges:** Charges imposed for defaults or delays in repayment, as specified in the loan agreement, in compliance of the conditions stipulated by RBI.
- **Prepayment / Foreclosure Charges:** Fees applicable if the borrower chooses to repay the loan before the agreed tenure, in accordance with regulatory guidelines. And as prescribed by HFL and communicated to the borrowers.
- **Other Service Charges:** Fees for additional services like documentation, legal processing, or valuation, communicated upfront to the borrower.
- **Statutory Charges:** Stamp duty, service tax / GST, and other cess collected at applicable rates as per prevailing laws.

Any revision in these charges would be implemented prospectively with due communication to customers.

IX. Communication Framework

HFL is committed to transparent communication:

- **Disclosure:** All applicable interest rates and charges are disclosed to the borrower in the loan agreement and through the company's official channels.
- **Illustrations:** Clear examples are provided to demonstrate the impact of interest rates and charges on loan repayments.
- **Updates:** Any changes to the interest rate policy are promptly communicated to existing borrowers and updated on the company's official platforms.

X. RBI Regulatory Compliance and Fair Practices Code

In compliance with recent RBI guidelines:

- **Disclosure of Penal Charges:** Any penal charges levied shall not be excessive and will be proportionate to the default. These charges will be clearly mentioned in the loan agreement and communicated to the borrower.
- **Annualized Rate Disclosure:** Interest rates and all associated charges will be expressed as an annual percentage rate (APR) to ensure transparency.
- **Grievance Redressal Mechanism:** Borrowers shall have access to a well-defined grievance redressal system for complaints regarding interest rates and charges.
- **No Discrimination Policy:** Interest rate determination shall be fair, and no borrower shall be discriminated against based on gender, caste, or religion.

This policy ensures that interest rates remain fair, competitive, and aligned with market conditions and customer risk profiles while maintaining compliance with RBI regulations.