



POLICY ON INTEREST RATE AND CHARGES

Version No.	Date	Drafted by	Reviewed by	Approved by
6.0	22 nd Nov 2024	Underwriting and Operations Team	Underwriting, Operations, Risk, and Compliance	Board of the Directors



INDEX

S.No.	Particulars	Page No.
1	Introduction	03
2	Review and Approval of the Policy	03
3	Disclosures	03
4	Principles for determining the Rate of Interest	03
5	Rate of Interest	04
6	Overdue Interest	05
7	Broken Period Interest (BPI)	05
8	Penal Charges in Loan Accounts	05
9	Other Fees and Charges	06
10	Loan Cancellation	06
11	Waiver / Refund	06
12	Foreclosure Charges and Part Pre-payment	06
13	Annexure I – Schedule of Charges	07



1. INTRODUCTION:

The Reserve Bank of India ("RBI") vide [Master Direction – Reserve Bank of India \(Non-Banking Financial Company – Scale Based Regulation\) Directions, 2023](#) has stipulated at Chapter VII - Fair Practices Code for all applicable Non-Banking Financial Companies ("NBFCs") and has directed all NBFCs to lay down appropriate internal policies and procedures in determining rates of interest, processing fees, other charges and display the rates of interest and the approach for gradation of risks on their website.

The objective of adopting and implementing this policy is to institute fair and transparent dealings in the lending business in accordance with the aforesaid regulatory requirements and the Fair Practices Code adopted by the Akara Capital Advisors Private Limited (hereinafter referred to as "Akara" or the "Company").

The said Interest Rate Policy broadly outlines the Interest Rate Model and the Company's approach of risk gradation in this regard.

2. REVIEW AND APPROVAL OF THE POLICY:

This policy is approved by the Board of Directors of the Company and the Company has adopted the Policy on Interest Rate and Charges taking into account relevant factors such as cost of funds, margin and risk premium and determining the rate of interest to be charged for loans and advances. Any revision in the Policy shall be reviewed by the relevant internal units and approved by the Board of Directors.

3. DISCLOSURES:

As per extant regulations and in terms of this Policy, the following disclosures shall be made:

- 3.1. The rate of interest and the approach for gradation of risks and the rationale for charging different rates of interest to different categories of borrowers shall be disclosed by the Company to the borrower or customer and will be communicated explicitly in the sanction letter.
- 3.2. The rate of interest and the approach for gradation of risks shall also be made available on the website of the Company. The information published on the website shall be updated whenever there is a change in the rate of interest.
- 3.3. The annualized rate of interest shall be disclosed so that the borrower is aware of the exact rates that would be charged in relation to the loan amount .
- 3.4. Any change in the rate of interest or other charges, as applicable, shall, be made prospectively and the same shall be adequately disclosed in the loan agreement, sanction letter and Key Fact Statement ("KFS").
- 3.5. The quantum and reason for Penal charges shall be clearly disclosed to the customers in the loan agreement, Key Fact Statement, in addition to rate of interest and other charges being displayed on the Company's website.

4. PRINCIPLES FOR DETERMINING THE RATE OF INTEREST:

The interest rate or other rates and costs charged to the Borrower shall be based on the following broad parameters:

1. Risk profile of the borrower
2. Tenor of the Loan



3. Cost of funds – Internal as well as external
4. Credit score of the borrower
5. Credit and default risk in the related business segment
6. Historical performance of similar kind of customers
7. Prevailing Interest rate trends in the money market
8. Treasury bill rates and the sovereign yield curve
9. Market scenario relating to credit risk premia/default premia including CDS spreads
10. Internal Cost of doing business
11. Interest rates offered by other NBFCs in the industry
12. Loan documentation and maintenance fees/ costs
13. Cost for portfolio monitoring
14. Customer communication costs
15. Recovery costs
16. Other factors that may be relevant in each case.

The rate of interest and/or charges for the same loan product and same tenor may vary for different customers based on consideration of any or a combination of above parameters during the period of this policy.

The pricing methodology is based on combination of:

- a) Vintage in Credit Bureau
- b) Credit Card performance
- c) Credit Bureau Score Band
- d) Underwriting Methodology

5. RATE OF INTEREST:

Rate of Interest shall be offered based on the parameters as explained above.

- a) Our loans range from INR 1,000/- to INR 10,00,000/- with repayment periods starting from 3 month to 36 months.
- b) The interest rates range will be capped from 0% - 39% p.a. (per annum) on reducing balance, rates may vary from case to case based on credit risk methodology set out above. Loans are paid through Equal Monthly Installments (EMIs) via electronic payment or deduction from the employer as per loan agreement. Interest rate is charged from the date of disbursement.
- c) Interest rate can be of two types:
 - (i) Fixed interest rate : In fixed rate loans, lenders charge a constant personal loan rate throughout the tenure. Here the total interest payable and EMIs remain fixed.
 - (ii) Floating Interest Rate : Floating or variable personal loan interest rates in India are susceptible to fluctuating economic conditions. Here, the customers may get the benefits of low interest personal loans initially, but there is a possibility of the lender revising the rates as per the repo rate which may result in varying rates of interest throughout the tenure of the loan.
- d) Both Fixed and floating rates offer a different set of advantages. While fixed rates keep EMIs constant, one may pay significantly lower instalments with floating-rate loans. But in the event of sudden increase in the personal loan interest rates, one cannot rule the risk of paying bigger EMIs in the future.
- e) Currently, all loans offered by Akara to its customers are at Fixed Interest rates.



- f) The interest re-set period for variable rate loans would be decided by the Company from time to time. The interest could be charged on monthly or on such rest as communicated in the loan sanction terms, however, no such loans have been issued.
- g) Interest 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.
- h) The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed. Besides this rate of interest, the Company may levy additional/penal charges for delay or default in making payments of any dues.
- i) The changes in the interest rates and related charges would be prospective in nature and intimation of change of rate of interest or other related charges would be given to customers in a mode and manner deemed fit in accordance with applicable laws and regulations.

6. OVERDUE INTEREST:

In the event of default / delay in payment of EMI, the company shall levy interest on the overdue EMI amount at the regular interest rate for the period of default / delay. Overdue interest will be charged from the date of default until the receipt of overdue EMI. Partial payment made will be first adjusted towards o/s overdue interest.

7. BROKEN PERIOD INTEREST:

The Company shall charge an upfront interest on the amount drawn down where the time between disbursement date and EMI date is in excess of 30 days. Interest shall be levied at the regular rate of interest for the period which is in excess of 30 days.

8. PENAL CHARGES IN LOAN ACCOUNTS:

The Company shall ensure that Penalty, if charged, shall be for non-compliance of material terms and conditions of the loan agreements by customers. It shall not be levied in the form of 'Penal Interest' that is added to the rate of interest being levied on the loans and advances.

There shall be no capitalization of Penal Charges (i.e. no further interest computed on such charges). However, this will not affect the normal procedures for compounding of interest in the loan account.

The Company shall ensure that the quantum of Penal Charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan agreement without being discriminatory with a particular loan / loan product. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

- A. Event of default which will attract Penal Charges:
 - i. When Equated Monthly Installment ('EMI') becomes overdue.
 - ii. Breaches to any other important or material terms and conditions of the loan contract. However, materiality would be determined by the Company as to what constitutes material breach.
- B. Penal Charges:
 - i. The Company will levy Penal Charges of @36% annual fixed of the Principal overdue amount.
 - ii. Cheque or ENACH bouncing charges: Upto Rs 590
- C. Unregistered NACH Charges: Upto Rs 590



9. OTHER FEES AND CHARGES:

- i. Besides interest, other financial charges like processing fees, origination fees, platform fees, recovery/collection charges, re-scheduling charges, payment gateway charges, cheque swap charges, security swap charges, charges for issue of statement account, customer care, credit assessment, ECS/ Direct Debit/ ACH mandate registration/ lodgment/ handling or for any other service provided by the Company or cost incurred by the Company for the provision of services related to the loan granted to the customers or as per schedule of charges communicated by the company from time to time or cost towards an expense incurred by the Company for the recovery of the loan. Besides these charges, service tax and other cesses, if any, would be collected at applicable rates from time to time. Any revision in these charges would be prospective in effect.
- ii. These fees and charges may vary based on the loan type, exposure limit, expenses incurred, and customer segment and generally represent the costs incurred in rendering the services to the customer. All such fees and charges shall be clearly communicated to the customer by way of a sanction letter, KFS, financing documents and the schedule of charges notified by the Company from time to time.
- iii. The Company may also levy and collect charges and penal charges, for delay or late payment of loan instalment and other dues to the Company and bouncing of ECS/ Direct Debit/ ACH.
- iv. The Company may also levy and collect charges for loan documentation, portfolio monitoring, recovery of loan or for other facilities and services provided based on market standards. The details of the charges will be as per the schedule of charges.
 - o Field Verification Charges – In certain product segments where verification of customer address/profile is required, there will be a Contact Point Verification Charge (CPV)
 - o CPV Charge; Rs 299 plus GST (currently)

Please refer Annexure – I: Schedule of Charges.

10. LOAN CANCELLATION:

If a borrower wishes to exit the loan after it has been sanctioned, he/she can do so within 3 days of loan disbursement which shall be the free look up period . The principal amount and other applicable charges will have to be paid. However, no penalty shall be charged during such period.

11. WAIVER / REFUNDS:

No claims for refund or waiver of charges / penal charges / additional charges for loan documentation, portfolio monitoring, recovery of loan or for other shall normally be entertained by Akara and it is at the sole discretion of the Company to deal with such requests, if any.

12. FORECLOSURE AND PART PREPAYMENT:

Foreclosure charges	Nil but interest at contracted rate till date of final payment shall be made.
Part- Prepayment Charges	Part pre-payment is not allowed



ANNEXURE – I: SCHEDULE OF CHARGES

S. No.	Nature of Charges	Details
1	Transaction Fees: This fee is levied for Free Credit period (FCP) customers	2.45% to 2.85% of loan availed
2.	Platform Fees: In case the Free Credit Period loan is converted into EMI, this fee is charged. (optional)	3-5% of loan availed If loan pre-closed in 30 days, no platform fee
3	Credit Shield Fee/Credit Protection Charges (optional)	Upto 3%
4	Credit Report Fee (optional)	Upto Rs. 50/- for each pull
5	Restructure/ Rescheduling Charges (optional)	Upto Rs. 5000/-
6	Repayment Instrument Swap (such as NACH/E-NACH/PDC change charges) (optional)	Upto Rs. 590 per swap
7	NACH/e-mandate re-registration service (optional)	Upto Rs. 590 after first registration attempt
8	Penal Charges	Upto 36% annual fixed of the Principal overdue amount
9	Repayment Instrument Bounce Charges	Upto Rs. 590 per bounce
10	Credit Line cancellation charges (optional)	Rs. 2000/- after Cooling of Period of 3 days from the disbursement
11	Statement of Account (physical copy at customer's registered address/office) (optional)	Rs. 2000/- on each request
12	Document pick up charges (optional)	Rs. 500 per pick up
13	No dues certificate (soft copy)	Nil
14	No dues certificate (stamped copy) (optional)	Rs. 1500 on each request
15	Contact Point / Field Verification Charges (optional)	Rs. 299
16	Any other charges	As per actuals

Note: GST, other government taxes and levies as applicable, will be payable on all fees and charges.