
INTEREST RATE POLICY

GLOSEC FINANCE PRIVATE LIMITED

Document Control

Document Name:	INTEREST RATE POLICY
Version:	1
Effective Date:	
Prepared & Administered By:	Grievance Redressal Department
Reviewed and Approved By:	Board of Directors

INTRODUCTION

Glosec Finance Private Limited is a non-Deposit taking, Non-Banking Finance Company originally incorporated with the name Midland Motor Finance Co. Private Limited on 25/11/1971. Further, the name was changed to Glosec Finance Private Limited on 09/06/2020 till present. The company is involved in making inter corporate deposits and retail personal loans. During the course of its operations, the Company will strictly adhere to various directions, guidelines, circulars, instructions etc. to the extent of its applicability, as may be stipulated by RBI, Self-Regulatory Organization and other regulatory bodies from time to time.

As per RBI regulations, the Board of each NBFC shall adopt an Interest rate model for the Company taking into account relevant factors and to disclose rate of Interest, gradation of Risk etc. Company's policies should always read in conjunction with the RBI guidelines, directives, circulars and instructions.

OBJECTIVES:

This policy outlines the framework for determining interest rates and charges for inter-corporate deposits (ICD) and personal retail loans, compliant with RBI's Scale-Based Regulation Directions, 2023, for non-deposit taking Base Layer NBFCs. It ensures transparency, risk-based pricing, and borrower disclosure as mandated by RBI guidelines.

The policy aims to establish a fair, board-approved interest rate model covering cost of funds, risk premiums, and margins for sustainable lending. It promotes gradation of risk across borrower categories while adhering to RBI's Fair Practices Code, with rates disclosed upfront in applications and sanction letters.

APPLICABILITY AND VALIDITY OF POLICY:

The Board of Directors has a key role in the interest rate pricing of GFPL as the pricing policy needs to be approved by them. The Policy will become applicable from such date as approved by the Board of Directors. The Board will review, validate, update, and approve the Policy at least annually. Any revisions in specific aspects of this policy may be communicated through mandates issued by the relevant authority and will become part of this policy from the date they become effective.

The Company shall ensure the interest rate pricing is undertaken with necessary due diligence as the same is subject to regulatory inspection by RBI and close monitoring by SROs. The ceiling of interest rate and other charges are to be fixed by the Board of Directors. The minimum and maximum ceiling of the interest rate should be defined in the pricing policy document. Company shall review the ceiling on the interest rate periodically against the industry trends and standards

released by the SROs.

MEASURING AFFORDABLE COST AND SUSTAINABILITY:

- Affordability is assessed through Fixed Obligations to Income Ratio (FOIR) limits: maximum 50% for salaried borrowers and 60% for self-employed on inter-corporate deposits and personal retail loans, ensuring repayment capacity without over-leveraging.
- Sustainability metrics include portfolio-level Debt Service Coverage Ratio (DSCR >1.25x for ICDs) and stress-testing for interest rate shocks up to +200 bps, aligning with RBI's emphasis on long-term viability.
- Annual review caps all-in costs (interest + fees) at benchmark + spread ceilings, with pass-through of cost-of-funds reductions to maintain competitive yet prudent pricing.

COMPONENTS OF PRICING FOR ALL LOANS

The Company has considered following components for determination of interest rate on its loans:

- i) Finance Cost/ Cost of Fund
- ii) Operational Expenses
- iii) Risk Premium / Loan loss premium
- iv) Expected Profit Margin

Formula of Pricing:

Cost of Funds + Operational Cost + Risk Premium (Loan loss premium) + Expected Profit Margin

Periodicity of calculation:

For better and more precise measure, the period for computing the pricing should not exceed one year and should not be less than one month.

- **Cost of Funds:** Reflects weighted average cost of borrowings (inter-corporate deposits, bank loans, debentures), including interest, hedging costs, and liquidity premiums, reviewed quarterly by ALCO.
- **Operating Costs:** Covers administrative expenses, overheads, technology, credit appraisal, and collection costs, allocated per loan based on volume and complexity.
- **Credit Risk Premium:** Risk-based spread per internal rating or external score (e.g., higher for CIBIL <700), tenor, and collateral coverage, ensuring higher-risk loans bear appropriate premiums.
- **Profit Margin:** Sustainable return target of 2-4% over costs, adjusted for market benchmarks and regulatory capital requirements.

- **Other Charges:** Processing fees (up to 2%), documentation, and penalties (not capitalized), with all-in APR disclosed upfront for transparency.

INTEREST RATE DETERMINATION

Interest rates factor in cost of borrowed funds, tenor matching, market liquidity, RBI policies, competition, borrower credit profile, collateral value, repayment history, and external ratings. For ICDs, rates emphasize corporate creditworthiness, industry trends, and group strength; for personal retail loans, they consider individual income stability, CIBIL score (above 750 preferred), employment, and loan-to-value ratio. Rates apply prospectively, with floating options linked to a reviewed Prime Lending Rate (PLR) set by the Asset Liability Management Committee (ALCO).

Product Type	Key Pricing Factors	Basis (Fixed/Floating)	Disclosure Method
Inter-Corporate Deposits	Corporate rating, tenor, liquidity risk	Floating preferred	Sanction letter, APR sheet
Personal Retail Loans	CIBIL score, income, LTV	Fixed or floating	Application form, website

RISK GRADATION AND VARIATIONS

Rates vary by risk: low-risk ICDs (strong ratings) get lower spreads; high-risk retail loans (scores <700) incur higher premiums up to regulatory limits. Borrower profiles like vintage, dependents, and past dealings influence gradation, ensuring no uniform rate for identical products.

PENAL INTEREST/LATE PAYMENT CHARGES

- a) The Company may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities would be decided by the Company from time to time besides Normal interest.
- b) No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the company and it is the sole discretion of the Company to deal with such requests if any.
- c) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the 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.

- d) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/ product category.
- e) The quantum and reason for penal charges shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions/ Key Fact Statement (KFS) as, in addition to being displayed on websites of Company under Interest rates and Service Charges.
- f) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

INTEREST PAYABLE

- a) The interest will be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

REVISIONS SHALL BE PROSPECTIVE

- a) Revision of interest rate and other charges would be prospective in effect and intimation of change of interest or other charges would be communicated to the customer in a mode and manner deemed fit. Revision of Interest will be applicable for new loan and not the existing loan.

ANNUALIZED RATE

- a) The interest would be charged on monthly/quarterly/half yearly rests or on maturity, depending on product features and customer preferences. However, the customer would be provided an annualized rate of interest in the sanction letter.
- b) Interest will be calculated on the basis of 365 days a year

PROCESSING AND OTHER CHARGES/FEES

- a) Apart from interest, other charges, fees may be levied, as given in the sanction letter / agreement along with statutory levies, if any.

TRANSPARENCY AND DISCLOSURE

Glosec shall disclose pricing-related information to a prospective borrower in a standardized simplified factsheet/loan card in language understood by the borrower as indicated by RBI.

- All interest rates, fees, and charges are disclosed upfront in loan applications, sanction letters, and most important terms & conditions (MITC), with annualized percentage rate (APR) reflecting effective cost including processing fees and GST.
- Floating rates are linked to a transparent Prime Lending Rate (PLR), reviewed by ALCO with 30-day advance notice to borrowers for changes; website and branch displays list maximum rates for all products.
- No hidden charges; penal interest is over and above regular rate, non-compoundable, and detailed in agreements; borrowers receive annual statements confirming all-in costs and outstanding balances.

REVIEW & MONITORING & COMPLIANCE

The policy is reviewed annually by the Board or Risk Management Committee, or sooner upon RBI circulars, material market changes, or internal audit findings. ALCO monitors pricing adherence monthly via dashboards tracking average portfolio yields, spreads, and outliers against approved bands.

Internal audit verifies compliance with disclosures, risk gradation, and affordability metrics quarterly, reporting deviations to the Board with corrective actions. External auditors assess policy efficacy yearly, ensuring alignment with RBI Master Directions for Base Layer NBFCs.

