INTEREST RATE POLICY

Standard Capital Markets Limited

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Interest Rate Policy

DOCUMENT IDENTIFICATION INFORMATION

Document Name	Interest Rate Policy
Index	Corporate Governance/Scale Based Regulation/Interest Rate Policy/Interest Rate Model/Equated Periodic Instalment Related Provisions/Foreclosure charges
No. of Pages	17
Approving Authority	Board of Directors
Review Frequency	Annually or earlier, if warranted by any regulatory changes, operational requirements, or business needs, to ensure its continued suitability, adequacy, and effectiveness in alignment with applicable laws, guidelines, and the Company's objectives.

This policy is issued by Standard Capital Markets Limited (hereinafter referred to as "SCML" or "Company") and encompasses all affiliated entities, employees, and stakeholders associated with SCML's operations.

1. Policy Statement

1.1. This Interest Rate Policy of Standard Capital Markets Limited, a Non-Banking Financial Company – Middle Layer (NBFC-ML), is formulated in accordance with the Master Direction – Reserve Bank of India (NBFC– Scale Based Regulation) Directions, 2023, the Fair Lending Practice – Penal Charges in Loan Accounts (RBI Circular), and other applicable

regulatory guidelines issued by the Reserve Bank of India (RBI) from time to time.

1.2. This Policy discloses the guiding principles and methodology adopted by the Company for determining the rate of interest, the approach for gradation of risk, and the rationale for charging different rates of interest to various categories of borrowers. It further outlines the framework for levy of penal charges, disclosure requirements, and communication protocols to ensure full transparency and compliance with the applicable RBI Directions.

1.3. The Policy also specifies the process for periodic review, approval, and disclosure of interest rates and related charges through appropriate communication channels, including sanction letters, and the Company's official website.

2. Definitions

2.1. Personal loans refer to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).

2.2. Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.). However, it excludes (a) education loans, (b) loans given for creation/ enhancement of immovable assets (e.g.,

housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under KCC. For risk weighting purposes under the Capital Adequacy Framework, the extant regulatory guidelines will be applicable.

3. Objective of the Policy

2.1 The objective of this Policy is to ensure that the Company adopts a transparent, equitable, and non-discriminatory approach in determining, charging, and communicating interest rates and associated charges applicable to its borrowers. The Policy aims to:

3.1.1. Define a clear framework for determination of interest rates based on the cost of funds, risk assessment, margin, and operational costs.

3.1.2. Ensure fairness and uniformity in the application of rates across different products and borrower categories.

3.1.3. Prescribe the principles governing levy of penal charges for non-compliance of material loan terms and conditions, in line with RBI directions.

3.1.4. Promote responsible lending practices by preventing excessive interest charges and ensuring borrower awareness through transparent communication.

3.1.5. Maintain regulatory compliance and uphold the highest standards of governance, integrity, and accountability in all lending operations.

3.2. This Policy shall be reviewed periodically by the Board of Directors to ensure continued alignment with regulatory expectations, market conditions, and the Company's risk management framework.

4. Applicability of the Policy

4.1. This Policy applies to:

4.1.1. All credit and Lending products offered by the Company.

4.1.2. All borrowers, including individuals, firms, and corporates.

4.1.3. All employees, branches, and partners involved in credit operations, sanctioning, or recovery.

5. Governance and Oversight

5.1. The Board of Directors shall have overall responsibility for approving and reviewing this, Policy.

5.2. The Asset Liability Committee (ALCO) shall periodically review interest rate structures, market conditions, and cost of funds, and recommend revisions.

5.3. The Risk Management Committee (RMC) shall ensure that the interest rate model is aligned with the Company's risk appetite and funding profile.

5.4. The Senior Management shall implement the approved structure and ensure compliance with regulatory and internal controls.

6. Interest Rate Model

6.1. The Company adopts a Board-approved Interest Rate Model that ensures fairness, transparency, and alignment with regulatory requirements. The model shall determine the lending rates based on an objective assessment of multiple factors, ensuring that rates are reasonable, sustainable, and reflective of underlying risks and costs.

6.2. The rate of interest applicable to each loan or credit facility shall be determined after due consideration of the following parameters:

6.2.1. Cost of Funds: The weighted average cost of borrowings, including debt instruments, term loans, and other funding sources utilized by the Company.

6.2.2. Operating Costs: Administrative, technology, credit appraisal, and servicing costs associated with extending and maintaining credit facilities.

6.2.3. Risk Premium: A margin determined by the borrower's creditworthiness, repayment capacity, financial strength, collateral offered, product category, and historical performance.

6.2.4. Tenor Premium: The interest rate shall factor in the tenor of the loan, with longer tenors generally attracting a higher premium due to increased credit, liquidity, and interest rate risks.

6.2.5. Market Conditions: Prevailing macroeconomic trends, competitive landscape, RBI policy rates, and liquidity conditions in the financial markets.

6.2.6. Business Strategy and Profitability Objectives: The Company's strategic goals, targeted returns, and competitive positioning in various market segments.

6.3. The Company may adopt fixed interest rate model. The model shall be periodically reviewed by the Asset Liability Management Committee (ALCO) and approved by the Board of Directors to ensure continued alignment with the Company's funding profile, market trends, and regulatory directions.

6.4. The Base Lending Rate shall be specified taking into account changes in the cost of funds, risk profile, and market benchmarks.

6.5. Any revision in the interest rate framework or methodology shall be placed before the Board of Directors for approval.

6.6. Differentiation in interest rates across borrowers or products shall be based solely on risk and cost considerations and shall not be discriminatory in nature.

6.7. The rates of interest shall be annualised to ensure that borrowers are fully aware of the effective rate applicable to their loan accounts.

6.8. The Company shall clearly disclose the applicable rate of interest, its components, and rationale in the sanction letter, loan agreement. The interest rate structure and the approach for gradation of risk shall also be published on the Company's website and updated whenever changes occur.

6.9. In addition to interest, the Company may levy fees or charges such as Processing fees, Documentation charges, Penal Charges, Prepayment or foreclosure charges or Cheque bounce charges. All such charges shall be approved and displayed on the Company's website and clearly communicated to borrowers before loan disbursement.

6.10. The detailed schedule of applicable interest rates, fees, and service charges for various loan products offered by the Company shall form an integral part of this Policy and is annexed hereto as **Annexure – I**. The schedule shall be reviewed periodically by the Asset Liability Management Committee (ALCO) and approved by the Board of Directors. Any revision thereto shall be effected prospectively and duly communicated to customers in accordance with regulatory requirements.

7. Regulation of Excessive Interest Rate

5.1. The Company shall maintain a transparent and rational Interest Rate Model, duly approved by the Board of Directors, which clearly outlines the components used in determining

lending rates, including the cost of funds, operating costs, risk premium, and desired margin.

5.2. The rationale for differential pricing across various borrower segments and risk categories shall be objectively determined and approved by ALCO to ensure consistency and non-discriminatory application.

5.3. The rate of interest and the approach for gradation of risk shall be:

5.3.1. Clearly disclosed in the loan application form, sanction letter;

5.3.2. Displayed on the Company's website and updated promptly whenever revisions occur; and

5.3.3. Communicated transparently to the borrower prior to loan disbursement.

5.4. The Company shall ensure that the interest rates are reasonable, sustainable, and conform to normal financial practices, keeping in view the principles of fairness, transparency, and borrower protection. Interest rates shall not be excessive, exploitative, or used as a revenue enhancement tool beyond the risk and cost parameters justified under the Company's internal model.

5.5. The interest rate shall always be expressed and charged on an annualized basis, enabling the borrower to clearly understand the total cost of borrowing.

5.6. Any change in the rate of interest shall be applied prospectively and communicated to the borrower in writing or through digital means in a language understood by the borrower.

8. Penal Charges Framework

8.1. Penalty, if charged for non-compliance of material terms and conditions of the loan agreement, shall be treated as "penal charges" and not as "penal interest".

8.2. The term "Material Terms and Conditions" shall be defined as per the Company's Credit Policy and may vary across loan categories depending on risk assessment, nature of product, and borrower profile.

8.3. Default in repayment constitutes a material non-compliance, for which penal charges may be levied in line with this Policy.

8.4. Penal charges shall be levied only for instances of default or non-compliance, such as delay in repayment, breach of covenants, or non-submission of security documents.

8.5. Such charges shall not be added to the rate of interest or compounded.

8.6. No further interest shall be computed on penal charges (no capitalization).

8.7. Penal charges shall be reasonable, proportionate, and non-discriminatory within each loan/product category.

8.8. For individual borrowers (non-business loans), the penal charges shall not exceed those charged to non-individual borrowers for similar defaults.

8.9. Penal charges shall only apply on the amount under default and not on the entire outstanding loan balance.

8.10. No additional penal charge shall be levied on previously unpaid penal charges.

8.11. These guidelines do not affect normal compounding of contractual interest in loan accounts.

8.12. The quantum and reasons for penal charges shall be clearly disclosed in:

8.12.1. Loan Agreement

8.12.2. Sanction Letter

8.12.3. Most Important Terms & Conditions

8.13. Merely displaying the charges on the website shall not suffice.

8.14. Any reminder or communication of default shall mention the penal charges and the reason for their levy.

8.15. The instructions on penal charges apply to all credit facilities, including but not limited to cash credit, overdraft, securitisation, and co-lending portfolios.

8.16. Penal charges are intended solely to inculcate credit discipline and not to enhance revenue.

9. EMI under Fixed Interest Rate Structure

9.1. For all loans sanctioned at a fixed rate of interest, the Equated Monthly Instalment (EMI) shall remain constant throughout the tenure of the loan, unless otherwise stipulated under specific contractual terms approved by the Company.

9.2. The EMI shall comprise both principal and interest components, calculated on the basis of the sanctioned loan amount, fixed rate of interest, and repayment period agreed upon at the time of disbursement.

9.3. Since the interest rate is fixed, any fluctuation in the market lending rate or cost of funds shall not affect the EMI amount or the repayment schedule applicable to the borrower.

9.4. The EMI schedule, including the breakdown of principal and interest for the entire loan tenure, shall be disclosed to the borrower at the time of loan sanction and attached as part of the sanction letter.

9.5. In the event of prepayment or foreclosure, the Company shall recalculate the outstanding principal and applicable charges as per the approved Prepayment/Foreclosure Terms and adjust the repayment schedule accordingly.

9.6. The Company shall ensure that the EMI structure and repayment terms are clearly communicated, fair, and transparent, ensuring that the borrower fully understands the implications of a fixed interest rate before execution of the loan agreement.

10. Disclosure & Transparency

10.1. 1 The Company shall ensure complete transparency in the communication of interest rates, fees, and service charges applicable to its loan products. The Schedule of Interest Rates and Charges as attached herewith as **Annexure-1** shall be prominently displayed on the Company's website and at all branch offices.

10.2. Any revision in the rate of interest, fees, or charges shall be effected only prospectively and shall be communicated in writing to the borrower in vernacular language or a language understood by the borrower.

10.3. All disclosures relating to interest rates and charges shall be made in accordance with the Fair Practices Code, and the RBI's Guidelines on Transparency in Lending, ensuring that borrowers are fully informed of all applicable terms and conditions before availing of any credit facility.

10.4. The rate of interest/penal charges/fees and other charges levied on the borrower may vary on a case-to-case basis at the discretion of the Board of the Company.

11. Additional Interest/Financial Charges

11.1. The Company shall not introduce any additional component to the rate of interest, such as "penal interest" or other forms of compounding, beyond what is specifically permitted under applicable regulations.

11.2. The Company shall ensure full compliance with the guidelines and directions issued by the RBI regarding the levy of penal charges and other related financial charges.

11.3. Any charges or fees, other than the approved rate of interest, shall be levied strictly as per the Board-approved schedule of charges and shall be transparently disclosed to the borrower in the loan agreement, sanction letter.

11.4. The Company shall ensure that no capitalisation of penal charges occurs i.e., no further interest shall be computed on such charges.

12. Foreclosure/Pre-Payment Charges

12.1. The Company shall ensure transparency and fairness in the levy of foreclosure or pre-payment charges on all categories of loans. The applicability or otherwise of such charges shall be clearly disclosed upfront to the borrower in the sanction letter, loan agreement as prescribed by the Reserve Bank of India (RBI) circular. No pre-payment charges that are not disclosed in the above documents shall be levied.

12.2. Fixed Rate Loans:

12.2.1. For loans carrying a fixed rate of interest, the levy of pre-payment or foreclosure charges shall be determined by the Company on a case-to-case basis, depending upon factors such as loan tenure, residual maturity, and other relevant commercial considerations. The applicable rate, if any, shall be clearly communicated to the borrower in the sanction letter and loan documents at the time of execution.

12.3. Other Loans and Facilities: For all other categories of loans and credit facilities not covered above:

12.3.1. In case of term loans, pre-payment charges, if levied, shall be based on the amount being prepaid.

12.3.2. In case of cash credit or overdraft facilities, pre-payment charges on closure of the facility before the due date shall be levied on an amount not exceeding the sanctioned limit. No pre-payment charges shall be applicable if the borrower intimates the Company in advance of his/her/its intention not to renew the facility before the period stipulated in the loan agreement, provided that the facility is closed on the due date.

12.4. The Company shall not levy any pre-payment or foreclosure charges where such pre-payment is effected at the instance of the Company.

12.5. The Company shall not levy any retrospective charges or fees at the time of pre-payment of loans which were waived off earlier.

13. Approval, Review & Update

13.1. This policy shall be reviewed and approved by the Board of Directors of the Company.

13.2. This policy shall be reviewed annually or earlier if warranted by changes in regulatory requirements, business practices, or operational needs, to ensure its continued suitability, adequacy, and effectiveness.

Annexure-1: Schedule of Interest Rates & Charges

[Amount (in ₹) or Percentage (%) as applicable]

Sr. No.	Particulars	Basis of Charge/Description	Applicable Rate/Amount	Remarks
A. Interest Rates				
1.	Lending Rate	Based on internal interest rate model considering cost of funds, risk premium, tenor, and borrower profile	12.00% - 24% p.a.	Varies across products and risk categories
2.	Type of Interest	Fixed	As per sanction Terms	-
3.	Change in Interest Rate/Charges	Communicated through written/digital notice and updated on website	------	To be applied prospectively only
4.	Any other (Please Specify)			
B. Processing and Administrative fees				
1.	Processing fee	Charged on total sanctioned amount	Up to _ %	Non-refundable; disclosed upfront
2.	Documentation/ Administrative Charges, if any	Towards documentation, verification, and administrative processing	₹500 – ₹5,000	Based on loan amount and nature
3.	Legal/ Valuation Charges	Actual expenses incurred	At actuals	Payable by borrower,

				where applicable
4.	Insurance Charges	Actual expenses incurred	At actuals	Payable by borrower, where applicable
5.	Any other (Please Specify)			
C. Prepayment/ Foreclosure Charges				
1.	Fixed Rate Lons	On principal amount Prepaid	Upto ____%	Subject to loan type and tenure
2.	Any other (Please Specify)			
D. Penal and Default related charges				
1.	Penal Charges for Delay/Default	Levied on overdue principal or interest amount only	Up to ____% per month	Treated strictly as penal charges, not penal interest
2.	Cheque/ECS Bounce Charges	Per instance of dishonour	₹500 – ₹1,000	Non-discriminatory application
3.	Any other (Please Specify)			

Notes:

- All charges are subject to periodic review and approval by the Asset Liability Management Committee (ALCO) and Board of Directors.
- Taxes and statutory levies shall be extra as applicable.
- The above rates and charges shall be clearly disclosed to borrowers in the Loan Agreement, and Most Important Terms & Conditions (MITC) prior to disbursement.