Interest Rate Model Policy

Aye Finance Private Limited

Reserve Bank of India Vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 has directed that the Board of each NBFC shall approve an Interest rate model for the Company, taking in to account 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.

Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them. The Interest rate model is also required to be made available on the website of the Company so as to enable the customers to understand the logic and methodology of the lending rates charged to them. In compliance with the said RBI directives, the Interest rate model for the Company is given below:

Principles for determining interest rate for loans:

- AYE Finance Pvt Ltd (hereinafter referred to as “AYE”) has its own model for arriving at interest rates taking into consideration among other things AYE’s weighted average cost of funds, un-allocable overheads and other administrative costs which is further adjusted for ALM mismatch.
- This rate is reviewed by Board or ALCO or such authority where the powers are delegated by the Board.
- The rate of interest for loans for various business segments and various schemes (if applicable) thereunder is arrived at through AYE’s interest rate model, cost on account of risk and tenor premium for the concerned business segment, cluster risks, business specific operating cost and margin is added to arrive at the lending rate.
- The final lending rate for various products offered by AYE will be arrived at after taking into account market reputation, interest, credit and default risk in the related business segment, historical performance of similar homogeneous clients (if available), profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, subventions (if available), deviations permitted, future potential, group strength, overall customer yield, nature and value of primary and collateral security, etc. Such information is gathered based on information

provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.
- The interest rates would be offered on fixed basis and charged on flat or reducing balance method, as applicable depending on the product.
- For the above interest range could vary between eighteen and twenty eight percent.
- The interest would be charged on monthly rests for different products / segments. However, there could be some customised products with differentiated rests based on the product segment and other risks mentioned above.
- Interest rates / interest type 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.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- Besides normal interest, the company may levy additional / penal interest / charges for delay or default in making payments of any dues. These additional or penal interests / charges for different products or facilities would be decided by the distribution or product head.
- 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.
- Besides interest, other financial charges like insurance fee, processing fees, application fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, charges for issue of statement account etc. (if any), would be levied by the company wherever considered necessary. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time as communicated in the documentation provided. Any revision in these charges would be have a prospective effect and will be communicated with the borrower.

- While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.
- Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by AYE and it is at the sole discretion of the AYE to deal with such requests.
- Any revision in the AYE's interest rates applicable to business would be reviewed by the Board or ALCO or such authority where the powers are delegated by the Board.