UC Inclusive Credit Private Limited (UCIC)

Interest Rate Policy

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UC Inclusive Credit Private Limited

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UC INCLUSIVE CREDIT PRIVATE LIMITED

("UCIC" or the "Company")

INTEREST RATE POLICY

This has reference to Reserve Bank of India (RBI) circular DNBS/PD/CC No. 95/03.05.002/2006-07 dated May 24, 2007 (as amended from time to time) and RBI Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 (amended from time to time) and RBI guideline with respect to "Fair Lending Practice – Penal Charges in Loan Accounts" vide notification No. RBI/2023-24/53DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, pertaining to following transparent interest rate policy.

A. BASIS FOR INTEREST RATE POLICY

UCIC is an impact focused Non-Banking Financial Company (NBFC). Impact is defined as companies working in the sectors of financial inclusion (microfinance, SME/MSME finance, vehicle finance, affordable housing finance, affordable private school finance, and any such company working in the sphere of providing services to the financially excluded), women empowerment, education, healthcare, renewable energy, agriculture and any other such company wherein the business models are either creating livelihood or solving a mass market challenge. Our business model will be to focus on making wholesale loans to SMEs (Small and Medium Enterprises) working in the aforesaid mentioned sectors. Our loan products would broadly be in the form of:

a) Term loans
b) Revolving credit facility
c) Subordinated loans
d) Subscribing to debt market instruments like Non-Convertible Debentures, Commercial Papers etc.
e) High yielding structured obligations like:
    a. Equity/ junior tranches of Securitization transactions
    b. Equity linked debt obligations.

Since, UCIC will not be involved in making retail loans, our basis of evaluation will be based on the institutional strength drawn from softer aspects like promoter experience, levels of internal corporate and financial governance and management team strength. Having said that, we will make the following assessments while determining interest rate and other costs to our clients:

1. **Loan Tenor**
   The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal (viz monthly, quarterly, yearly repayment, bullet); moratorium period etc.

2. **Borrowing source, structure and the associated costs**
   The overall cost of funds shall be the weighted average cost of our aggregate borrowings through a mix of international and domestic sources. This will include all costs associated with these borrowings after taking into account the average tenure, refinancing avenues, and interest payment frequency (monthly/ quarterly/ semi-annual/ annual) and structure (fixed or floating) and securities (nature and value) being offered. The pricing factors in the risk associated with these.

3. **Operational/ Running cost**
   The running cost shall include the remuneration to employees, cost of infrastructure, and other administrative costs.

4. **Company and/ or Sector specific risk**
   Given that our focus is geared towards lending to institutions working in the impact areas there is a perceived risk associated with these companies. However, our risk assessment will consider the structure of loans to these companies, the risk profile associated with each sector of the Borrower to UCIC {"Borrower"}, history, nature and value of security and overall management assessment etc.

5. **Credit risk**
   It would be appropriate that bad debt provision/ write off cost should be considered for all transactions. This cost is then allocated to the best possible extent in the interest rate offered to a Borrower. The amount of the bad debt provision applicable to a particular transaction shall be also based on the internal assessment of the credit strength of the Borrower.

6. **Margin**
   There is no fixed profit margin but rather something which is a function of returns to shareholders and the risks involved. The margin is ensured to be sufficient to attract fresh capital to sustain growth.

7. **Prevailing Market Practices**
   While UCIC shall make each loan basis an independent and detailed assessment, its pricing, however, will also depend on the market practices.

B. INTEREST RATE POLICY

1. Interest Rate

i. The rate of interest is an extremely flexible component of the business and it's highly likely that a loan offered with the similar structure and during the similar period to two different companies might not be the same. The commercials of the transaction i.e. interest rate and other charges will vary on case-to-case basis and will depend a lot on the factors detailed above.

ii. The interest rates offered could be on a fixed basis or variable/floating basis with a fixed risk premium over a pre-decided benchmark. Changes in interest rates would be decided at any periodicity, depending on market volatility and competition.

iii. The interest re-set for floating / variable rate would be decided by UCIC on a periodic basis, applying the same decision criteria considered for fixing interest rates. Please note that a critical factor in deciding the interest reset will depend on the movement of the associated benchmark as well.

iv. Interest would be charged and recovered on a monthly/quarterly/semi-annua/annual basis or as agreed with the Borrower in the loan repayment schedule.

v. Interest rates along with the EMI apportionment towards interest and principal dues shall be agreed with the Borrower at the time of approval / availing of the loan.

vi. Interest shall be deemed payable immediately on the due date as per the loan repayment schedule, annexed to the loan agreement. Any sanction of grace period for payment of interest is at the sole discretion of UCIC's Credit Committee and the same will be communicated to the Borrower in writing.

vii. Interest rate changes would be prospective in effect and shall be communicated in writing before any such change takes effect and in accordance with the provisions in the loan documents.

viii. Interest rate, base lending rate, benchmark rates (in case of variable/ floating rate) and other charges and their periodic revisions will be made available to the Borrower(s), as required.

ix. The interest rate charged by UCIC could vary in a range say, 14%-19%, depending on, amongst other things, the factors mentioned above.

2. Penal charges and other fees and charges:

i. In addition to normal interest, UCIC may levy additional charges for ad-hoc facilities, specific penal charges as specified in the **"Annexure-I"** for any delay or default in making payments of any dues, any non-compliance and in case of "Events of Default" as defined in the Facility Documents executed between UCIC and its Borrowers. The levy or waiver of these additional charges or penal charges for the different facilities would be at the sole discretion of the Credit Committee/ Managing Director and will be communicated to the Borrower in writing. UCIC shall not introduce any additional component to the rate of interest and ensure compliance with extant RBI guidelines.

ii. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.

iii. The quantum and reason for penal charges or any changes thereto, shall be clearly disclosed by UCIC, to the **Borrower** in the Facility Documents/ most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on UCIC's website under Interest rates and Service Charges.

iv. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of Facility Documents without being discriminatory within a particular loan / product category as per proposed details at Annexure.

v. Whenever reminders for non-compliance of material terms and conditions of loan are sent to Borrower(s) by UCIC, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated.

vi. In the case of new loans, the switchover to new penal charges shall be ensured from April 01, 2024 or such other extended period as prescribed by RBI in this regard.

vii. In the case of existing loans, the switchover to new penal charges shall be ensured on next review date or on renewal date or on or before June 30, 2024, whichever is earlier or such extended period as prescribed by RBI in this regard.

viii. Other financial charges like processing fees, cheque bouncing charges, pre-payment / foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/other remittance charges, commitment fees, stamp duty, charges on various other services like issuing No Due certificates, No Objection Certificates, letters ceding charge on assets / security, security swap & exchange charges, any report(s) sought by credit bureaus etc would be levied by UCIC wherever considered necessary. Besides the base charges, the goods and services tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect.

ix. Claims or refund of waiver of such charges / penal charges / additional interest/charges would normally not be entertained by UCIC and it is the sole and absolute discretion of UCIC to deal with such requests.

3. Other related issues

i. The practices by other lenders would also be taken into consideration while deciding on interest rates / charges.

ii. In case of disbursements made in tranches, the rate of interest would be subject to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by UCIC.

Annexure - I

Schedule of Penal Charges

Type of defaults	Default/ Penal charges
In case of defaults in EMI payments	Upto 5% on the principal outstanding amount
In case of breach of Financial, Reporting, Negative or any other covenants of the facility documents	INR 200-INR 2000 per day, based on the severeness of such breach