

INTEREST RATE & CHARGES POLICY

A. PREAMBLE

In accordance with the Master Directions issued under the Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2021, as amended from time to time, Chhotaria Securities Private Limited ("the Company"), being registered as an **NBFC-BL** (Non-Banking Financial Company – Base Layer) and engaged in digital and physical lending via platforms including *CreditSea*, has framed this Interest Rate & Charges Policy.

This policy outlines the framework to:

- determine interest rates,
- levy charges and penalties,
- reflect risk assessment,
- ensure transparent borrower communication,
- and align with evolving regulatory expectations.

The model incorporates operating costs, cost of capital, portfolio risk, borrower categories, and market dynamics. The Company may amend its pricing methodology in line with external economic conditions and RBI directives.

B. OBJECTIVE OF THE POLICY

The key objectives include:

- Establishing clear benchmarks for interest rates across different customer & product categories.
- Defining the principles used for computing spreads & margins.
- Ensuring transparent communication of interest rates, penal charges, and rationale.
- Publishing risk-grade approach and charges on the Company's website (www.chhotariasecurities.com).
- Ensuring fair pricing, without discrimination within the same product lines.
- Providing broad principles for levy of penal charges.

C. RATE OF INTEREST

At the time of sanction, the Company discloses:

- sanctioned loan amount,
- applicable rate of interest,
- fees and charges,
- EMI schedule and duration.

Chhotaria Securities Pvt Ltd
Neelam
Director

Interest rate determination considers:

- type of product
- borrower's credit score
- internal cost of funds
- digital onboarding and verification costs
- operational and administrative expenses
- risk premium
- expected profitability
- prior repayment behaviour
- demographic and geographic considerations

Any revision in interest rates shall be prospective in nature and shall be communicated to borrowers prior to implementation, except where permitted otherwise under applicable law.

D. APPROACH FOR RISK GRADATION

The Company assesses both the ability and willingness of borrowers to repay.

Risk profiling is based on:

- identity verification as per KYC rules,
- bureau score and previous loan performance,
- debt-to-income ratio,
- economic activity and stability,
- nature of collateral (where applicable),
- income documentation and digital footprint.

Risk evaluation considers:

- CIBIL / bureau score
- Loan quantum
- Industry trends
- Customer history
- Cost of operations
- Negotiated terms
- Upfront charges

Risk grade will influence pricing within approved ranges.

Non discrimination safeguard:

- Risk gradation shall be objective
- Data-driven
- Non-discriminatory
- shall not be based on gender, religion, caste, political affiliation, or other prohibited grounds.

E. COMPONENTS OF INTEREST RATE & PROCESSING FEES

The Company considers the following:

- **Cost of Funds** – borrowings / credit lines.
- **Liquidity & Negative Carry** — maintaining regulatory liquidity.
- **Customer Acquisition Cost** — credit underwriting, KYC, digital verification.
- **Disbursement Cost** — transfer fees, system charges, integration costs.
- **Collection Cost** — recovery manpower, legal fees, field agents, digital tools.
- **Operating Cost** — technology, administration, compliance.
- **Expected Credit Loss** — portfolio-linked risk provisioning.
- **Business Strategy Margin** — product positioning and competition.
- **Return on Assets** — minimum return expectation for sustainability.

F. FEE & CHARGES (DETAILED SECTION)

The Company levies specific fees and charges for the services rendered throughout the loan lifecycle.

These charges are designed to:

- recover actual costs incurred for loan onboarding, execution & servicing
- ensure transparent & fair pricing
- comply with RBI guidelines on penal charges & disclosure
- avoid hidden or unfair charges

All fees & charges applicable to a customer shall be explicitly communicated through:

- sanction letter
- loan agreement
- Key Fact Statement (KFS)
- Company website

The Company assures that **no undisclosed or retrospective charges** shall be applied.

1. Processing Fee

The Processing Fee is charged to recover the operational costs associated with:

- customer onboarding
- KYC verification
- digital application handling
- risk assessment
- disbursement processing
- third-party integrations (KYC agencies, payment gateways etc.)

Features of Processing Fee:

- non-refundable
- assessed on loan amount
- varies based on product, ticket size & risk segment
- will be deducted from disbursed loan or collected upfront

Typical range varies across products & is disclosed in Appendix.

Example:

Personal loan processing fee can be **up to a specified percentage** of sanctioned amount.

2. Documentation & Stamp Duty Charges

These charges include:

- execution of loan agreement
- stamping of documents
- notarization (if applicable)
- mandate registration costs

Stamp duty varies based on:

- State laws
- loan amount
- secured vs unsecured

The Company collects such charges strictly on actuals.

3. Optional Insurance Charges

Insurance products offered to borrowers are optional.

The Company may facilitate:

- credit life insurance
- asset insurance (for secured loans like LAP, Two-wheeler etc.)

Key principles:

- collected only when opted by borrower
- amount shall be on actual premium basis
- recovered on behalf of insurance provider

Insurance charges are NOT mandatory unless required by law or collateral policy.

4. Credit Information Report (CIR) Fee

A nominal fee may be recovered when:

- a bureau report is pulled during loan application
- borrower voluntarily requests CIR copy

Charged only:

- with borrower consent
- on actual basis
- disclosed in KFS

No CIR charge is deducted secretly.

5. Foreclosure / Prepayment Charges

Foreclosure means early repayment before scheduled tenure completion.

Principles:

- charged within limits specified in Appendix
- applicable based on loan type
- waived where RBI mandates waiver (e.g., floating rate & individual borrowers)
- computed on outstanding principal

Rate shall vary depending on:

- product
- tenure
- repayment track
- regulatory rules

Foreclosure charges ensure recovery of:

- unamortized costs
- sourcing & onboarding expenditure

- interest spread loss

However, if closure is initiated by the Company, NO foreclosure charges shall apply.

6. Part-Prepayment Charges

Borrowers may choose partial repayment of principal.

Charges:

- applied only when prepayment exceeds threshold limit
- rates subject to product-wise caps
- disclosed upfront

Partial payment rules:

- restricted depending on tenure
- affected % calculated on prepaid portion
- subject to cooling-period conditions (if any)

7. Penal Charges (NOT penal interest)

Penalty shall be levied when a borrower violates **material terms** of loan contract such as:

- delay/default in EMI payment
- cheque/NACH bounce
- breach of agreed conditions

Important RBI mandate:

The Company does NOT levy penal interest.

Instead:

- penal charges shall be fixed as a flat (or annualised) rate
- levied on overdue principal amount only
- SHALL NOT be capitalized
- SHALL NOT increase principal for compounding

Principles:

- non-discriminatory within product category
- proportionate & reasonable
- communicated upfront

Penal charges do NOT restrict:

- legal action
- repossession (for secured loans)
- recovery proceedings

Penal charges shall be disclosed explicitly in the Key Fact Statement (KFS), loan agreement, and all relevant repayment communications, in clear and plain language, to ensure full transparency and easy understanding for the borrower.

8. Bounce Charges / NACH / e-Mandate

Bounce charges are imposed when:

- scheduled EMI repayment fails
- mandate gets dishonoured

These charges:

- are levied per instance
- capped as per Appendix
- cannot exceed prescribed maximum limit

Additional NACH/e-mandate charges may cover:

- registration
- modification
- swapping

9. Collection / Legal / Repossession Charges

For overdue / default cases, recovery expenses may include:

- field visit charges
- repossession cost (for secured assets)
- legal notice issuance
- litigation charges
- storage expenses

Such costs are charged:

- only on actual basis
- with documented proof if sought

10. Cool-Off / Cancellation Charges

If the borrower cancels the loan post-disbursement or after signing:

- a nominal cool-off fee may apply
- covers administrative & disbursement processing

Charges will be aligned with Appendix values.

11. Duplicate / Miscellaneous Charges

These may include:

- duplicate NOC
- account swap
- mandate re-registration
- statement issuance

All such charges:

- will be specified in Appendix
- communicated transparently

ANNEXURE – A

Product	Secured / Unsecured	Amount	Tenure	Interest Range
Personal Loan	Unsecured	₹5,000 – ₹2 lakh	6–60m	12% – 28.5%
Top-Up Loan	Unsecured	Linked	6–60m	12% – 24%
Business Loan	Sec/Unsec	₹0.50 – ₹2 lakh	6–48m	12% – 28.5%

APPENDIX – 1

PERSONAL LOAN & DIGITAL BUSINESS LOAN

Sl. No.	Fee / Charge	Rate / Amount	GST Applicable	Description (Detailed)
1	Processing Fee	Up to 5% of sanctioned loan amount	Yes	Covers end-to-end onboarding, verification, digital KYC, documentation & system processing. Deducted from disbursal.
2	Insurance Fee (Optional)	Up to 1.5% of loan amount	Yes	Insurance is optional & collected only if the borrower opts for credit life / accidental cover. Based on actual premium.
3	Credit Information Report Fee	₹50	Yes	Charged only when a CIR is pulled or the borrower requests a bureau report. Deducted post consent.
4	Stamp Duty Charges*	Up to ₹1000	No	Government stamping charges for legal execution of agreement. Varies by state.
5	Platform / Maintenance Fee	Up to ₹14	Yes	Digital platform maintenance and mandate handling charges.
6	Foreclosure Charges	Up to 5% of principal outstanding	Yes	Applicable if borrower repays full loan prior to agreed tenure. Charged on outstanding principal.
7	Part-Prepayment Charges	Up to 5% of principal prepaid	Yes	Charged on partial repayment over limits defined. Threshold rules apply.
8	EMI Bounce Charges	4% of due principal (capped at ₹500)	No	Levied when EMI fails due to insufficient balance / mandate failure.

9	Penal Charges	Penal charges shall be reasonable, proportionate, and capped in accordance with the Company's approved limits, and shall not be excessive or usurious as per applicable RBI guidelines.	No	The maximum penal charge cap represents an outer ceiling and actual levy is significantly lower in practice.
10	Cool-Off / Cancellation Charges	Up to 2% of disbursal amount	Yes	Applied when loan is cancelled post-disbursal / after TAT. Non-refundable admin cost.

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