



**VAIBHAV VYAPAAR LIMITED**

**LoanFront**

# Interest Rate Policy

## Document Summary

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## Contents

<b>A. Objective of the policy</b> .....	5
<b>B. Interest Rate:</b> .....	5
<b>C. Interest Rate Model</b> .....	7
<b>D. Approach for Risk Gradation</b> .....	8
<b>E. Interest rate communication</b> .....	8
<b>F. Charges related loan application processing, documentation, and Other charges</b> .....	9
<b>G. Penalty Charges</b> .....	9
<b>H. Components and Explanation of Various Charges on LoanFront</b> .....	11
<b>I. Loan products profile of the Company</b> .....	13
<b>J. Summarised Table of Fee &amp; Charges</b> .....	14
<b>K. Review of Policy</b> .....	15

## **INTEREST RATE POLICY**

Vaibhav Vyapaar Limited (the “Company”) is a Non-Banking Financial Company (“NBFC”) registered with the Reserve Bank of India (“RBI”) and classified as an NBFC-Base Layer under the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025. The Company carries on its lending business under the brand name (“LoanFront”) through its proprietary technology platform and Digital Lending Application (“DLA”) also known as “LoanFront”. The LoanFront platform and application are fully owned, managed, and operated by the Company.

The RBI vide (i) the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025 (the “CF Directions”); and (ii) the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (the “RBC Directions”), as updated from time to time (collectively, the “RBI Directions”), has advised that the Board of Directors (the “Board”) of applicable NBFCs shall lay out appropriate internal principles and procedures for determining interest rates, processing fees, penal charges and other charges on loans, by whatever name called.

In compliance with the RBI Directions, the Company has framed this Interest Rate and Penal Charges Policy (the “Policy”), broadly outlining the interest rate model and the Company’s approach to risk gradation for its lending business.

For the purposes of this Policy, unless the context otherwise requires: (a) “APR” or “Annual Percentage Rate” means the annual cost of credit to the borrower which includes the rate of interest and all other charges associated with the credit facility; (b) “EPI” or “Equated Periodic Instalment” means an equated or fixed amount of repayments, consisting of both principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals (EPIs at monthly intervals are referred to as “EMIs”); (c) “Key Fact Statement” or “KFS” means the statement of key facts of a loan agreement in the standardised format prescribed under Annex I of the RBC Directions; (d) “Material Terms and Conditions” means such terms and conditions of the loan contract as the Company may identify and specify from time to time in the relevant credit policy or loan documentation; and (e) “Reference Benchmark Rate” means the Company’s internal reference rate determined on the basis of its weighted average cost of funds, administrative and operational costs, tenor premium and margin.

## **A. Objective of the policy**

### **1. Establish Benchmark Rates**

Determine benchmark rates for various borrower segments and outline the principles and methodology for determining spreads, leading to the final rates charged to borrowers.

### **2. Transparent Communication of Interest Rates**

Clearly communicate the annualized rate of interest to borrowers, including the approach for risk gradation and the rationale for applying different interest rates across borrower categories.

### **3. Accessibility and Transparency**

Publish the interest rates and the risk gradation methodology on the company's website to ensure accessibility and transparency.

### **4. Principles for Penal Charges**

Outline broad principles for levying penal charges in a fair and consistent manner.

## **B. Interest Rate:**

The average yields and the rate of interest under each product offered by the Company are decided from time to time, giving due consideration to the following factors:

1. The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity, refinancing avenues etc;
2. Inherent credit and default risk in our business, particularly trends with sub-groups /Customer segments of the loan portfolio;
3. Nature of lending, for example the associated principal / tenure;
4. Nature and value of securities and collateral offered by customers (if applicable);
5. Risk profile of customer - professional qualification, stability in earnings, financial positions (salary range, type of employment, number of active loans, outstanding balance, etc.), past repayment track record with us or other lenders, credit score of customers, etc.; and
6. Industry trends, that is determined by the rate of interest offered by other competitors NBFCs.

The Company considers the aforementioned factors while arriving at a rate of interest. Additionally, under this Interest Rate Policy:

- a. The Company shall adopt a discrete interest rate policy which means that the rate of interest for the same product and tenor availed during same period by different customers may not be standardized and may vary for different customers depending upon consideration of any or combination of above factors.

The interest rates offered shall ordinarily be on a fixed basis. Where the Company introduces floating rate or variable rate products in future, the Company shall put in place a separate Board-approved policy on reset of floating rate personal loans in compliance with Paragraph 31 of the RBC Directions, and this Policy shall be updated accordingly. Changes in interest rates shall be decided at any periodicity, depending upon market volatility and competitor review. The annualised rate of interest shall be intimated to the borrower in the loan application form,

the sanction letter, the KFS and the loan agreement. No rate of interest shall be quoted or communicated to a borrower in monthly or other periodic terms without also specifying the equivalent annualised rate. The penal charges and other important charges shall be mentioned in bold in the loan agreement and shall also be set out in the KFS.

- b. Interest rates 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 Company may levy penal charges for non-compliance of Material Terms and Conditions of the loan contract, including for delay or default in repayment, in accordance with Section G of this Policy. Penal charges shall not be levied in the form of penal interest added to the rate of interest, nor shall any additional component be introduced to the rate of interest by way of penalty. The structure of penal charges shall be approved by the Board.

- c. Besides these charges, stamp duty, GST and other cess would be collected at applicable rates. Any revision in these charges would be from prospective effect. These charges would be decided upon by respective business / product heads in consultation with operations, finance and legal heads and duly approved by the Board.
- d. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company and duly approved by the Board.
- e. While deciding the charges, the practices followed by the competitors in the market may also be taken into consideration.
- f. Claims for refund or waiver of charges / penal charges / additional interest would normally not be entertained by the Company and it is at the sole discretion of the Company to deal with such requests.

The interest rate model and the schedule of charges, together with their periodic revisions, shall be made available to prospective and existing borrowers through the Company's website and mobile application. The Company shall prominently display on its website the current minimum and maximum rates of interest applicable to each loan product, the approach to risk gradation, the rationale for charging different rates of interest to different categories of borrowers, and the schedule of penal charges and other charges under "Summarised Table of Fee & Charges", and shall update the same whenever there is a change.

## **C. Interest Rate Model**

The interest rate for credit facilities extended by Vaibhav Vyapaar Limited is driven by benchmark rate of Vaibhav Vyapaar plus the risk premium associated with the borrower/facility.

### **Benchmark Rate**

The Company's Reference Benchmark Rate for onward lending is determined as a function of the following factors:

- Weighted average cost of funds
- Administrative and operational costs
- Tenor premium
- Profit margin

### **Risk Premium**

- The Credit Risk Premium for all loan products is determined for different customer segments and collateral types (as applicable) to account for potential credit loss risks. It is evaluated based on the following factors:
- Credit and Default Risk: The likelihood of the borrower defaulting on the loan.
- Historical Performance: Trends observed in similar homogeneous client groups.
- Borrower Profile: Personal and financial characteristics of the borrower.
- Repayment Track Record: The borrower's history of repaying loans.
- Credit Bureau Score: Creditworthiness as reflected in their credit score.
- Geographic Location: The borrower's location and its associated risks.
- Location Delinquency Trends: Default trends in the borrower's area.
- Customer Indebtedness: The borrower's existing debt obligations.

The final rate of interest charged to a borrower is built up of (i) the Reference Benchmark Rate; (ii) the Credit Risk Premium determined on the basis of the factors set out above; and (iii) loan-specific cost components including acquisition cost, operating cost, collection cost and applicable margin. The Credit Risk Premium and the loan-specific cost components shall together be determined so as to result in a rate of interest that falls within the band set out in the following paragraph.

The Rate of Interest that shall be charged to the customers for availing its loan products will range between a minimum of 17.5% p.a to maximum of 33.95% p.a.

## D. Approach for Risk Gradation

The Company grants credit facilities only to those customers who it believes have both the intention and the ability to discharge their obligations.

1. To execute smooth underwriting process, the Company carries out different processes as per Know Your Customer guidelines and allocates credit grade for each customer.
2. When assessing credit transactions, the Company focuses on critical principles like history of the Borrower, Financial Leverage, Liquidity and Sources of Cash, Education and Stability and Profitability of Operations.
3. The determination of a customer's credit grading is generally distinguished by the asset type and its use and is mostly based on four general Categories, Character, Capacity, Capital and Collateral.

The individual assessment criteria for the customer credit grading can be classified into each of these aspects. All credit submissions shall be classified into the Company's internal credit risk score varying from 100 to 900.

4. The interest rate applicable to each loan account, within the applicable range shall also be assessed on a case specific basis, based on evaluation of various other factors such as:
  - Interest rate trend prevailing in the money market;
  - Long term prospects of business with the borrower;
  - Loan specific costs including operations and collection costs;
  - Company's cost of borrowing;
  - Customer negotiations / deviations; and
  - Upfront charges.

Depending on the product, the interest rates would be offered on fixed basis and charged on reducing balance method.

## E. Interest Rate Communication

Interest rates would be intimated to the customers at the time of sanction / availing of the loan. Repayment schedule as per the product availed by the customer and will be made available to customer in the sanction letter as well as the Loan Agreement.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management and/or changes to extraneous cost factors which affects the setting up of the interest rate.

The Company will mention penal charges charged for late repayment in bold in the loan agreement.

Key Fact Statement. A KFS shall be issued to every borrower extended by the Company, prior to the execution of the loan agreement, in the standardised format set out in Annex I of the RBC Directions and in a language understood by the borrower. The contents of the KFS shall be explained to the borrower and an acknowledgement obtained that the borrower has understood the same.

Each KFS shall be issued with a unique proposal number and shall have a validity period of not less than three working days for loans with a tenor of seven days or more, and not less than one working day for loans with shorter tenor. The Company shall be bound by the terms of the loan indicated in the KFS if the borrower agrees to the terms during the validity period.

The KFS shall include the Annual Percentage Rate computed on an Internal Rate of Return basis on the net disbursed amount and inclusive of all charges levied by the Company (including fees, insurance premiums and third-party costs), the full amortisation schedule for the loan, the quantum and reasons for all penal charges, the details of all third-party charges disclosed separately together with an undertaking that receipts for such charges shall be provided to the borrower, and the name and contact details of the nodal grievance redressal officer of the Company.

No fee, charge or amount that has not been disclosed in the KFS shall be levied on the borrower at any stage during the term of the loan without the explicit written consent of the borrower. The KFS shall also be included as a summary box in the loan agreement.

## **F. Charges Related to Loan Application Processing, Documentation, and Other Charges**

All processing, documentation, and other charges levied are explicitly stated in the loan documents. These charges vary depending on factors such as the loan product, exposure limit, customer segment, and geographical location. They generally reflect the costs incurred in providing services to customers. Market practices, including those of competitors, are also considered when determining these charges. All such charges shall be disclosed to the borrower in the KFS and shall form part of the APR computation.

## **G. Penalty Charges**

Penal charges are applicable in cases of non-compliance with the material terms and conditions of the loan contract by the borrower. The following key principles apply:

Any penalty charged for non-compliance of Material Terms and Conditions of the loan contract shall be treated as penal charges and shall not be levied in the form of penal interest added to the rate of interest charged on the advances. No additional component shall be introduced to the rate of interest by way of penalty.

Penal charges shall be levied only on the amount in default and not on the entire outstanding loan amount.

Penal charges shall not be capitalised and no further interest shall be computed on penal charges. No additional or fresh penal charges shall be levied on any outstanding penal charges. This does not affect the normal procedures for compounding of interest on the loan account, and the Company may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation.

Non-discrimination - The structure of penal charges within a particular loan or product category shall be uniform irrespective of the constitution of the borrower. Penal charges may differ within the same product category depending upon the amount of loan, subject to the foregoing.

Individual non-business borrowers - The penal charges levied on loans sanctioned to individual borrowers for purposes other than business shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of Material Terms and Conditions.

Reasonableness - The quantum of penal charges shall be reasonable and commensurate with the non-compliance of the Material Terms and Conditions and shall not be used as a revenue enhancement tool.

Disclosure - The quantum and reasons for penal charges shall be disclosed by the Company to the borrower upfront in the loan agreement and in the KFS and shall also be displayed on the Company's website under "Schedule of Charges". A reference to the schedule of penal charges displayed on the website, included in the sanction letter or loan agreement, shall not by itself be sufficient compliance with this disclosure obligation.

Communication - Whenever reminders for non-compliance of Material Terms and Conditions are sent to a borrower, the applicable penal charges shall be communicated together with such reminders. Any instance of levy of penal charges and the reasons for such levy shall also be communicated to the borrower.

Existing loans - In respect of loans subsisting on the date of this Policy, the switchover to the penal charges regime set out herein shall be effected on the next review or renewal date falling after such date.

Legal recourse - The levy of penal charges does not preclude the Company from taking any legal action against the borrower, including repossession of the asset, after issuing due notice in accordance with the loan agreement and applicable law.

GST - The Company shall follow the instructions and clarifications issued by the Central Board of Indirect Taxes and Customs from time to time with regard to the applicability of GST on penal charges.

Schedule - Penal charges shall be set out in the Schedule of Charges at Section J of this Policy, as approved by the Board from time to time.

## H. Components and Explanation of Various Charges on LoanFront

- **Processing Fee/Charge:**

The processing fee is determined based on the loan product type and the costs associated with disbursement of the loan, and is assessed for each loan account on a case-specific basis after evaluating factors such as the loan amount, customer acquisition cost, cost of disbursement, and loan-specific costs including operational expenses. These charges are determined in line with the costs incurred in providing services to customers, while also taking into account prevailing market practices and industry benchmarks. The processing fee includes, among other things, customer acquisition costs such as marketing and customer onboarding expenses, as well as disbursement-related costs including bank transfer charges, system handling fees, and fees for third-party verification or transaction processing. All such charges shall be disclosed to the borrower in the Key Fact Statement (KFS) and shall form part of the Annual Percentage Rate (APR) computation.

- **Life-Time Registration Charge:**

Life-time registration charges are levied at the time of the first loan availed by the borrower on the LoanFront platform. These charges cover the costs associated with maintaining and securely storing the borrower's digital records on servers located in India for a minimum period of 10 years from the date of the borrower's last transaction, in compliance with applicable regulatory and operational requirements. The associated long-term data storage and infrastructure costs are significant and form the basis for such charges.

- **Credit Information Report Charge (Optional):**

Credit Information Report (CIR) charges shall be applicable only if the borrower provides explicit consent to obtain the report during the loan application process. The applicable fee shall be adjusted against the loan amount at the time of disbursement. A PDF copy of the Credit Information Report shall be sent to the customer on the registered email address. The customer may also access and view the report through the Credit Report section available on the LoanFront platform.

- **Insurance Charge (Optional):**

Currently, LoanFront is not offering any standalone or loan-linked insurance products.

- **Loan Documentation Charges:**

"Stamp Duty" is the non-refundable charge payable by the Borrower concerning Transaction Documents, said stamp duty is to be remitted to the appropriate governmental authorities upon the execution of the Transaction Documents. The Lenders are solely intermediaries facilitating the payment of said stamp duty on behalf of the Borrower. The Stamp Duty represent reimbursement by the Borrower to the Lenders at actual payments made to the authorities. The charges involved are subject to stamp duty in accordance with the applicable State Stamps Act.

**"Maintenance & Procurement Charges"** he charges associated with procurement, execution, scanning, storage, and maintenance of loan-related documents and records, as incurred by the Lender at the place of execution. These charges include the cost of procuring individual stamp papers for each loan agreement, along with the costs incurred towards secure storage and maintenance of physical and digital copies of such documents for a minimum period of 10 years.

- **e-NACH/UPI e-Mandate Registration Charges:**

Charges recovered towards registration, processing, and maintenance of payment mandates, including but not limited to ECS, e-NACH, UPI e-Mandate, or any other electronic repayment instruction mechanism, as required for facilitating automated repayment of loan obligations. This charge are recovered directly by the respective bank or payment gateway from the borrower.

- **Convenience Charge for Repayment:**

Charges levied towards facilitating loan repayment through designated payment channels, gateways, or digital payment modes. Such charges may vary depending on the mode of repayment and are recovered from the borrower for availing the convenience of electronic payment processing services.

- **Loan Closure Charges:**

**“Preclosure/ Foreclosure Charge”** - Charges levied by the Lender in the event of early closure of a loan by the borrower through full repayment of the outstanding unpaid principal amount prior to the scheduled tenure. Such charges shall be computed on the unpaid principal amount proposed to be foreclosed and shall be applicable in accordance with the terms specified in the Key Fact Statement (KFS) and/or Transaction Documents. Foreclosure shall be permitted only upon completion of the applicable lock-in period and subject to clearance of all dues, including any outstanding instalments payable during the lock-in period. Foreclosure shall not be permitted where only one EMI remains pending under the loan.

**“Prepayment Charge”** - the Borrower may prepay a certain portion of the outstanding principal loan amount at any time prior to the Repayment/Due Date. The Borrower may prepay the EMI at least 5 days prior to the due date of such EMI. Any installment due within the next 5 days, if paid before the due date, shall not be treated as a prepayment, and no waiver of interest shall apply to such payment. If the Borrower opts to prepay the EMI amount or make a part-prepayment of a certain portion of the Loan amount (excluding foreclosure payments), a prepayment fee shall be applicable. The amount proposed to be prepaid must be at least equal to the principal component of one installment/EMI. In case the Borrower chooses to prepay any installment, prepayment charges plus applicable GST on the principal amount prepaid shall apply, after adjustment of any due and/or overdue amounts. Any prepaid EMI amount shall not exceed the original EMI amount specified in the repayment schedule provided in the Key Fact Statement (KFS) forming part of the Loan Agreement. For More Information, please view Loan Closure policy.

**“Retained Processing Charge for Repayment”** - In case the borrower exits the loan during the Cooling-Off / Look-up Period, the Lender shall retain a portion of the processing fee, as disclosed in the Key Fact Statement (KFS), towards loan processing and disbursement costs, and the balance processing fee amount shall be reversed to the borrower by reducing the principal amount payable at the time of closure. Please refer to the Loan Closure Policy for detailed illustrations and examples.

- **Late Payment/Penalty Charges:**

**“One-time Overdue Charge”** – One-time overdue charge, being a late payment fee, shall be levied on any EMI from the first date of default in the event of delayed payment. Such fee shall be charged on the overdue principal amount, along with applicable GST, and shall become immediately payable upon such default.

**“Penal Charge”** - Penal Charges in Case of Delayed Payment Penal charges for overdue EMI payments will commence from Day Past Due 2 (DPD 2) and continue up to a maximum of 181 days. These charges are calculated at an annualized rate and applied daily to the overdue principal amount and rounded to the nearest rupee. No penalty charges will apply beyond 181 days, even if the EMI remains unpaid, although regular interest on the overdue principal will continue until full repayment. All penalty charges and other contingent charges are applied only to the overdue principal and are calculated separately from the loan's principal and interest. These charges do not affect the loan's interest rate, are not subject to further interest, and are not compounded nor capitalised. They are levied uniformly and fairly to reflect the extent of the default.

**“e-NACH/UPI Mandate Payment Bounce Charge”** - Charges levied in the event of failure, dishonour, or bounce of an e-NACH, UPI mandate, ECS, or any other electronic repayment instruction due to insufficient funds, mandate failure, technical rejection, or any other reason attributable to the borrower.

- **GST Charges:**

Applicable GST and other statutory taxes, levies, or duties shall be charged in accordance with prevailing laws and regulations and shall be borne by the borrower wherever applicable.

## I. Loan products profile of the Company

Product 1: - Personal Loans - Self-Employed

Principal	₹ 1,500 - ₹ 30,000
Tenure	3 Months-12 Months
Interest Rates (per annum)	17.5 % - 33.95 %*

\*Interest Rate variance is based on the risk gradation.

Product 2: - Personal Loans - Salaried

Principal	₹ 6,000 - ₹ 1,00,000
Tenure	3 Months - 24 Months
Interest Rates (per annum)	17.5 % - 33.95 %*

\*Interest Rate variance is based on the risk gradation.

## J. Summarised Table of Fee & Charges

Table 1:

No.	Parameters	Amount/Rate		Type
		Principal Amount	PF Amount (Min-Max)	
1	Processing Fee	<5,000	₹ 0 - 280	Per Loan
		5,000-10,000	₹ 0 - 700	
		11,000-20,000	₹ 0 - 1400	
		21,000-30,000	₹ 0 - 1950	
		31,000-50,000	₹ 0 - 2500	
		>50,000	₹ 0 - 2500	
2	Life-Time Registration Charge	Upto 1.95% of Loan Principal (0 - 500)		Per Customer
3	Credit Information Report Fee	₹ 50		Optional
4	Insurance Charge	NA		Optional
5	Loan Documentation Charges			
a	Stamp Duty	Upto ₹ 20		Per Loan/ Towards regulation
b	Maintenance & Procurement Charge	Upto ₹ 15		Per Loan
6	e-NACH/UPI e-Mandate Registration Charge	As per your respective bank/payment gateway		Per Loan
7	Convenience Charge for Repayment	UPI mode: ₹5 Bank transfer mode: ₹ 0 Biller payment mode: ₹ 0 Other modes: As per payment gateway charges		Per EMI/Payment
8	Loan Closure Charges			
c	Preclosure/ Foreclosure Charge	Upto 4% of the principal amount prepaid		Contingent/Optional
d	Prepayment Charge	Upto 3% of the principal amount prepaid (Capped to EMI Interest amount)		Contingent/Optional
e	Retained Processing Charge for Repayment	Upto 4% of the principal amount		Contingent
9	Late Payment/Penalty Charges			
e	One-time Overdue Charge	3% of overdue principal (max ₹ 175) on the first day of default		Contingent
f	Penal Charges	2 <sup>nd</sup> to 181 <sup>st</sup> day penal charges - annualized at 36% for the due principal		Contingent
g	e-NACH/UPI Mandate Payment Bounce Charge	₹ 150		Contingent
10	GST	18% of the Charges /Fee Nil for the Penalty Charges		Towards regulation

## **K. Review of Policy**

This Policy shall be reviewed by the Board at least once every year, or earlier if required on account of any change in the applicable laws, regulations or RBI Directions, or otherwise as the Board may consider necessary.

Where the Policy is required to be amended on account of a statutory or regulatory change, the Chief Executive Officer or the Chief Financial Officer of the Company shall have the authority to make the requisite interim amendments to the Policy at the earliest, and the amended Policy shall be placed before the Board at its immediately next meeting for ratification.

This policy shall be published on the Company's website in compliance with the Company's Fair Practices Code and the guidelines issued by the RBI.