



INTEREST RATE POLICY

DVARA KSHETRIYA GRAMIN FINANCIAL SERVICES PRIVATE LIMITED	
Policy	Interest Rate Policy
VERSION	4.0
DATE OF APPROVAL OF BOARD	May 05, 2022
LATEST DATE OF APPROVAL BY THE BOARD	August 12, 2026
PROCESS OWNER	CFO

Background

As per the RBI Master Direction – NBFC – Responsible Business Conduct Direction, 2025 dated 28th November 2025 as amended from time to time, the Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

Objective of the policy

To arrive at the benchmark rates to be used for different categories of products and customer segments and to decide on the principles and approach of charging pricing components.

Organization Structure:

Board of Directors

The Board of Directors shall have an oversight on the interest rate Policy of the Company.

Asset Liability Committee

ALCO shall be responsible for taking decision to change the benchmark rate. The ALCO shall review the benchmark rate on a quarterly basis, and any change to the benchmark rate would be discussed and decided by the ALCO.

Procedures for charging the Final Rate

The final rate of interest for loans offered will be arrived at after reducing / adding spread by the credit and the business team. Business can have their internal pricing policies under the overall framework of interest rate policy to arrive at final rate. Changes to business level internal pricing policies, if any, would need to be approved jointly by the following officers of the Company:

Sr. No.	Designation
1	Managing Director & Chief Executive Officer
2	Chief Financial Officer
3	Chief Risk Officer
4	Deputy CEO

Some of the key factors (illustrative but not exhaustive) considered for calculating spreads are given below:

1. Credit and default risk in the related business segment, or, internal risk score
2. Profile of the customer
3. Nature and value of collateral security
4. Ticket size of loan

5. Bureau Score
6. Tenure of Loan
7. Geography of operations (viz. state, district, or pincode)

Interest rate Model

The interest rate model can be **fixed or floating or hybrid**. The specific rate regime shall be captured in the Key Facts Statement (KFS).

Methodology: The Interest Rate is calculated as an aggregation of the following cost factors:

a. Weighted Average Cost of Capital (WACC):

- The Company borrows funds through Bank Term loans, Non-Convertible Debentures and Commercial paper and subordinate debt, etc. from the investors. Additional to the borrowing, the Company also has equity portion and the cost of such equity is considered to arrive at the weighted average cost of capital.
- **Cost of Equity:** The Cost of Equity shall be arrived at based on Capital Assets Pricing Model (CAPM), **or**, the expected Return on Equity (RoE) as set by the Equity Investors of the Company, whichever is higher.
- **Cost of Borrowing:** Actual cost of borrowing incurred by the Company in the last 12 months; the Cost of Borrowing shall include coupons, interest rates, and all expenses, commissions, charges and fees involved in the fund-raising efforts.
- **WACC:** The WACC shall be derived based on the blended equity capital and debt capital costs in the ratio of projected Debt-to-Equity ratio of the Company.

b. Negative Carry Cost:

- The Company maintains an average float of funds in the form of High-Quality Liquid Assets (HQLA) in order to meet the ALM guidelines and minimize liquidity risk.
- The negative carry cost shall be the opportunity cost of maintaining idle funds in cash & bank and parking in highly liquid assets against a minimal return, while the company

continues to source funds at a much higher cost (as arrived under WACC above).

c. Operating Cost:

- It covers all operational costs incurred to service and recover a loan, including but not limited to employee expenses, branch-related fixed and variable costs, operations costs, sales and marketing expenses, administrative expenses, technology expenses, expenses related to sourcing and underwriting, recovery and auctions.
- The loan processing fee collected against each loan goes towards meeting the costs towards sourcing and underwriting of the loan. The Operating cost will be net off by prorated loan processing fee.

d. Credit Risk Premium:

- It is the expected credit cost of the Company.

Interest Rate Outcomes:

The following Interest rates will be internally published by the Company

- **Benchmark Interest Rate:** **WACC + Negative Carry + Operating Cost + Credit Risk Premium**
- **Marginal Lending Rate:** **WACC + Negative Carry + Operating Cost**
- **Spread:** **Spread for each product shall be based on the product risk premium. The product risk premium shall be derived from Credit risk premium and any other risk premium / discount as per the product note. Spread for each product shall be approved by the Product Approval Committee (PAC).**

Note:

The Marginal Lending Rate and the Spread shall be linked to the Product pricing for Floating Rate and Hybrid Rate instruments.

Each Loan Product may additionally carry a product risk premium, and/or a geography risk premium, and / or a tenure risk premium, and/or premium linked to internal risk scoring adopted by the Company. The risk premium may carry a discount for specific products.

Annual Percentage Rate (APR)

The Company shall comply with extant RBI guidelines for computation and disclosure of APR.

Reset Periodicity

The benchmark interest rate shall be reviewed on a quarterly basis.

The Marginal Lending Rate and Product Spreads shall be reviewed and / or reset annually. Shorter resets (quarterly or semi-annually) can be approved by the PAC on a case-to-case basis.

Review of Policy

A review of this policy will be done on an annual basis, or on a shorter periodicity as decided by the Board of Directors.

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Annexure-
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