



Interest Rate Model Policy – FY 2024-25

Enterprise wide-applicable

This policy document provides an overview of risk framework

axio is the brand name of CapFloat Financial Services Private Limited, an
NBFC registered with RBI

Approval Request

S. No	Document Title	Risk Management Policy
1	Version No.	5.0
2	Validity Period	12 months
3	Document Owner (Head of Department)	Amrita Sarma - CRO

Approval Log		
	Name and Designation	Date
Approved by	Board of Directors	30 Jun 2024
Reviewed & Recommended by (Head of Department)	Amrita Sarma - CRO	27 th Jun 2024
	Akshay Sarma - CFO	27 th Jun 2024
Prepared by	Himanshu Agarwal - VP, Consumer Risk	03 rd Jun 2024

Change Log from the last version Versions	
Version No	Brief Details of the Changes Made (also highlight the sections where changes are made)
Version 2.0	Modifications in risk structure, modifications in scope of credit committee and credit monitoring
Version 3.0	Revision of Policy
Version 3.1	Change in document owner, approved by and prepared by section, customer level exposure.
Version 3.2	Policy Revision as per the consumer lending processes
Version 4.0	Interest Rate Revision
Version 5.0	Reviewed, No changes

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 into

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 directive 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 should also be made available on the website of the Company 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 the interest rate for loans:

- CapFloat Financial Services Private Limited (Capital Float) has its model for arriving at interest rates taking into consideration among other things Capital Float's weighted average cost of funds, un-allocable overheads and other administrative costs which is further adjusted for ALM mismatch. The weighted average cost of funds is computed taking into account the cost of Capital Float's (CF) aggregate borrowings at the month-end time from various sources such as a bank, NBFC lines, non-convertible debentures, etc
- The said rate is reviewed in the Banking & Finance Committee meeting
- The rate of interest for loans for various business segments and various schemes thereunder is arrived at through CF's interest rate model, cost on account of risk and tenor premium for the concerned business segment, business-specific operating cost and margin is added to arrive at the lending rate
- The final lending rate for various products offered by CF will be arrived at after taking into account the following parameters: interest, credit and default risk in the related business segment, the historical performance of similar homogeneous clients, the profile of the borrower, tenure of relationship with

the borrower, repayment track record of the borrower in case of an existing customer, subventions available, deviations permitted, future potential, 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 the same period by different customers need not be standardized. It could vary for different customers depending upon consideration of any or combination of the above factors
- The interest rates could be offered on a fixed or variable basis and charged on flat or reducing balance method
- For the above, interest range could vary between 14% and 38% on reducing balance rate on an annual basis
- The interest could be charged on monthly rates for different products/ segments which will be done for prospective customers and will be recorded in the subsequent policy
- 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 for delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the respective business/ product heads
- 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 processing fees, origination fees, cheque bouncing charges, late payment charges, pre-payment / foreclosure charges etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, service tax and other cesses would be collected at

applicable rates from time to time as communicated in the documentation provided. Any revision in these charges would 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 the company and it is at the sole discretion of the company to deal with such requests

Rate of interest:

- The Company intimates the borrower: the loan amount, an annualized rate of interest, tenure, amount of equated monthly instalments at the time of sanction of the loan

Banking and Finance Committee

- The rates of interest shall be reviewed periodically and any revision in this policy shall be decided by Banking and Finance Committee and shall, subsequently, be presented to the Board of Directors of the Company for its approval
- A Note on Interest Rate Premium defining the mechanism to compute Interest Rate for various products in line with the various elements affecting the same and the same shall be given to the Board at half-yearly intervals for review and approval
- A Note on Interest Rate Ranges containing Minimum and Maximum Interest Ranges product-wise and the same shall be submitted to the Board at quarterly intervals for review and approval

The product-wise / sub product-wise interest rate ranges charged to the customer are as follows:

Product	Min Interest Rate %	Max Interest rate %
BNPL	0**	24
Personal Loans - Salaried	14	38
Personal Loans - Self-employed	14	38

** In case of 0% interest rate, the interest is charged from merchant partners in the form of subvention

- Please note that the above table contains the interest rates which are charged to the customers. However, our APR for some products could be higher due to the subventions offered by merchants, which is duly communicated to the customer in the KFS.
- Each product contains multiple sub-products targeted towards different risk segments. The interest range for each of these sub-products has a range, depending on the risk profile of the customer
- Please note that the ALCO (Asset Liability Committee) meeting periodically decides broad interest rate ranges based on multiple factors such as the cost of funds

Review of Policy

- The policy will be reviewed at yearly intervals or as and when considered necessary by the Board of the Company