

INTEREST RATE POLICY

OF

PAYU FINANCE INDIA PRIVATE LIMITED

Authority	Details
Scope	This Interest Rate Policy aims to establish and adopt an interest rate model and describes the mechanism adopted by PayU Finance in determining interest rates, processing and other charges levied.
Drafted by	Legal and Compliance department
Approved by	Board of Directors

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DEFINITIONS AND INTERPRETATION

1 Definitions

“**Applicable Laws**” means all applicable laws, statutes, enactments, acts of central or state legislature, ordinances, rules, regulations, notifications, guidelines, directions, directives, policies, circulars, decisions and any other pronouncements issued in accordance with the Companies Act, the RBI Master Directions or any other law applicable to the jurisdiction of India by any central, state, local, or other governmental, administrative or regulatory authority exercising executive, legislative, judicial, regulatory or administrative functions.

“**Board**” means the board of directors of PayU Finance.

“**Companies Act**” means the Companies Act, 2013, and rules and regulations issued thereunder, as amended from time to time.

“**Credit Policy**” means the credit policy of PayU Finance, as amended from time to time.

“**Interest Rate Policy**” means this Interest Rate Policy as approved and adopted by the Board.

“**NBFC ND SI**” means a systemically important non-deposit taking non-banking finance company registered with the RBI under the provisions of the Reserve Bank of India Act, 1934 and governed as per the RBI Master Directions and other applicable notifications, circulars, regulations issued by the RBI from time to time.

“**PayU Finance**” means PayU Finance India Private Limited, a company incorporated under the Companies Act, 1956.

“**RBI**” means the Reserve Bank of India.

“**RBI Act**” means the Reserve Bank of India Act, 1934, as amended from time to time.

“**RBI Master Directions**” means the Non-Banking Financial Company-Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 having reference number RBI/DNBR/2016-17/45, Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 1 September 2016, as amended from time to time.

“**Risk Management Committee**” means the risk management committee of PayU Finance.

2 Interpretation

Unless defined expressly herein, all capitalised terms used in this Interest Rate Policy shall have the meanings assigned to them under the Companies Act, RBI Master Directions, RBI

Act, any notification, guideline and/or circular issued by the RBI from time to time and/or any other relevant policy or business document of PayU Finance (as the case may be).

INTRODUCTION

3 Background

- 3.1 PayU Finance operates as a NBFC ND SI and is engaged *inter alia* in the business of providing products, enterprise lending and specific lending, apart from providing certain technology related services, financial services or a combination of both.
- 3.2 The RBI Master Directions require the board of directors of a NBFC ND SI to lay out appropriate internal principles and procedures to determine the interest rates, processing and other charges levied by the NBFC ND SI and adopt an interest rate model in this regard¹.
- 3.3 The interest rate model has to take into account various relevant factors such as cost of funds, margin and risk premium for determining the rate of interest to be charged for loans and advances offered by the NBFC ND SI².
- 3.4 In view of the above, the Board has approved and adopted this document as the interest rate policy of PayU Finance.

4 Objectives

Objectives of this Interest Rate Policy are to:

- 4.1 set out a framework describing the interest rate model adopted by PayU Finance;
- 4.2 provide its borrowers an overview of the method and factors used for calculating the interest rates charged on various lending models of PayU Finance; and
- 4.3 adopt a uniform and consistent approach for determining the interest rates charged to different types of borrowers.

5 Overview

The Interest Rate Policy is divided into the following parts:

- 5.1 **Part 1 (Lending Model)** provides a brief description of the type of lending activities undertaken by PayU Finance from time to time;
- 5.2 **Part 2 (Interest Rate Model)** sets out the guidelines for determining interest rates charged by PayU Finance in accordance with its lending model; and
- 5.3 **Part 3 (Review and Oversight)** describes the procedural aspects for implementing the Interest Rate Policy (such as the manner and periodicity in which the interest rate model is reviewed and amended by PayU Finance).

¹ Regulations 36 and 37 of the RBI Master Directions

² Regulation 36 of the RBI Master Directions

PART 1
LENDING MODEL

6 Business Segments

6.1 PayU Finance has three primary businesses:

6.1.1 Application Based Lending or Product(s)

6.1.2 Enterprise Lending

6.1.3 Specific Lending

PayU Finance may also either directly on its own or indirectly through its affiliates or other third party service providers provides certain ancillary services that are in the nature of technology related services, logistical services, financial services or a combination of these. PayU Finance undertakes above lending activities through a co-lending model as well.

6.2 Application Based Lending or Products comprises of giving loans and credit facilities of different types to consumers, individuals and merchants in the form of amongst others personal credit lines, revolving line of credit and loans and easy monthly instalments. PayU Finance offers these loans and facilities/programs primarily through its digital platforms. In addition, PayU Finance also provides loans and credit facilities on the basis of origination done by its partners who operate their own digital lending platforms. The Application Based Lending business will usually give loans and credit facilities through automated means, which amongst others includes customer acquisitions, loan application processing, disbursement, loan lifetime management, collection and recovery, etc., as may be permitted under applicable laws from time to time.

6.3 Enterprise Lending comprises the platform based business/programs of giving fund based and non-fund based financing facilities of a relatively small ticket size to businesses including companies, partnership firms, limited liability partnerships, sole proprietorship, etc. These loans and credit facilities may be granted in the form of business credit to meet day to day business requirements, collateral backed loans and other secured / unsecured credit facilities, and such other lending models that PayU Finance may develop from time to time. PayU Finance may grant these loans and credit facilities through automated and/or manual means, depending on the method that is most appropriate to a specific type of loan or credit facility/program or the categories of borrowers.

6.4 Specific Lending comprises the business of providing fund and non-fund based financing facilities to businesses including companies, partnership firms, limited liability partnerships, sole proprietorship, etc. These loans provided by PayU Finance to Borrowers are of monetary value larger than that of the facilities provided under Enterprise Lending. PayU Finance may grant these loans and credit facilities through manual means due to the larger ticket size of such loans. However, PayU Finance may in future offer certain automated product lines as well within this sub-category depending on business requirements. This sub category may also include certain advance settlement facilities that PayU Finance may offer to online merchants.

6.5 As part of this business, PayU Finance either directly on its own or indirectly through its affiliates or third party service providers, may provides certain ancillary services relating to technology and logistics support to merchants enabling such merchants to offer short term

and small value trade credits to their end-consumers by using digital platforms (including digital platforms owned by PayU Finance) and offerings.

7 Categories of Borrowers

The two main categories of borrowers that PayU Finance provides its services to are:

- 7.1** Individual consumers; and
- 7.2** Entities such as hindu undivided families (HUF), companies, partnership firms, limited liability partnerships, sole proprietorship, trust, societies, etc.

8 Pricing Philosophy

PayU Finance follows a risk-based pricing model in accordance with the interest rate model described in Part 2 of this Interest Rate Policy and the interest rates may vary within a range depending on the lending model and business segment of PayU Finance (i.e., type of loans and borrowers).

PART 2

INTEREST RATE MODEL

9 Interest Rate

- 9.1** Interest rates offered by PayU Finance can either be on a fixed basis or floating/variable basis based on the factors set out in paragraph 10 below.
- 9.2** Interest rates will be computed on an annual basis to enable the borrower to be informed of the exact rate being levied by PayU Finance³ but may be charged by PayU Finance on a periodic basis as agreed between the borrower and PayU Finance in the relevant loan documentation.
- 9.3** Interest rates are not standardised and may vary within a range based on the type of loan, type of borrower as well as the factors set out in paragraph 10 below. An indicative schedule of Interest Rates being levied by PayU Finance for various types of lending products offered by PayU Finance is available at [Click here](#).
- 9.4** PayU Finance will not charge excessive interest rates as compared to prevailing market trends and the Risk Management Committee may specify the maximum interest rate to be levied by PayU Finance from time to time⁴.

10 Factors for calculation of interest rate

The rate of interest to be levied by PayU Finance is considered on a case to case basis and is evaluated taking into account various variables such as day count fractions, type of loan, tenor of loan, nature of security and/or collateral (where applicable), market volatility, industry trends, etc. These factors can be categorised into two broad heads:

10.1 Internal Factors

PayU Finance determines interest rates by taking into account various elements based on internal assessments, procedures, principles, methods, etc., such as the following:

- 10.1.1** Nature of lending (type and form of loan, tenor of loan, secured/unsecured, completely paperless and non-physical model);
- 10.1.2** Nature of security/collateral in relation to the loan;
- 10.1.3** Internal cost factors (including but not limited to operational costs, overall exposure costs, administrative costs, fixed and variable costs, business costs and margins);
- 10.1.4** Risk exposure to cover credit and other risks;
- 10.1.5** Borrower risk profile based on the credit assessment undertaken by PayU Finance, past borrowing history and repayment track, financial position and stability, future business potential, etc., and
- 10.1.6** Any other factors considered relevant by the Risk Management Committee from time to time.

³ Regulation 35(3) of the RBI Master Directions sets out the requirement of having an annualised rate

⁴ Regulations 36 and 37 of the RBI Master Directions

10.2 External Factors

Calculation of interest rates also depends on various external factors outside the ambit of PayU Finance such as the following:

- 10.2.1** Market conditions and trends (such as market liquidity, interest rates prevailing in the market, regulatory and statutory changes, changes in capital requirements, credit and cyclical conditions);
- 10.2.2** Prevailing and anticipated industry trends such as interest rates offered by competitors;
- 10.2.3** Inherent credit and default risk in similar business or category of borrowers, particularly trends with sub-groups/customer segments of the loan portfolio;
- 10.2.4** Cost of funds on borrowings and costs incidental to borrowing after considering average tenure, market liquidity and refinancing avenues; and
- 10.2.5** Any other factors considered relevant by the Risk Management Committee from time to time.

11 Other charges

In addition to interest rates, PayU Finance may levy certain additional financial charges as it may deem necessary in relation to the loan offered by PayU Finance to the borrower. These charges will be explicitly communicated to the borrower in writing (physically or electronically) in the manner described in detail in paragraph 12 below. The nature of these charges is as follows:

11.1 Loan related charges

Default interest, prepayment/foreclosure charges, disbursement charges, penal charges, commitment fee, exchange rate charges, credit assessment, late payment charges and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

11.2 Administrative costs and charges

Charges and costs involving loan processing, service charges, processing fees, documentation charges, customer care, registration, handling charges or and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

11.3 Taxes

PayU Finance will recover all taxes, duties, stamp duty, cess levied upon the charges incurred by PayU Finance for rendering services to the borrower in accordance with the applicable rates.

12 Disclosures to Borrower

- 12.1** PayU Finance will inform the borrower in writing in English language and where required under Applicable Laws and requested by the customer, PayU Finance shall endeavour to provide in the vernacular language requested by the borrower, all relevant details in relation to the loan offered by PayU Finance including all necessary documentation to be entered

into in relation to the loan (i.e., terms and conditions, loan agreements, sanction letters along with all relevant enclosures)⁵. PayU Finance will also endeavour to make terms and conditions in relation to the borrowings available on its website in certain vernacular languages most understood by its customers.

12.2 The information provided by PayU Finance in accordance with paragraph 12.1, all charges proposed to be levied by PayU Finance in accordance with this Interest Rate Policy as well as any other disclosures required to be made under Applicable Laws are set out in the loan documentation of PayU Finance.

12.3 Policies and Procedures

The following other policies are also relevant for the purposes of this Interest Rate Policy:

12.3.1 *Credit Policy* – The credit policy of PayU Finance outlines the parameters and processes for credit appraisal, approval, risk guidelines and other credit principles and procedures of PayU Finance. The Lending Model and Interest Rate Model described in this Interest Rate Policy are based on the pricing philosophies set out under the credit policy.

12.3.2 *Fair Practices Code* – All relevant disclosures in relation to the Lending Model and Interest Rate Model of PayU Finance (including this Interest Rate Policy) are disclosed in the Fair Practices Code of PayU Finance in accordance with the directions of the RBI⁶.

12.4 Form of Documentation

The loan documentation of PayU Finance and all related documents (including communications sent to, or received by, the borrower) may either be in physical or electronic form.

⁵ Regulation 29 of the RBI Master Directions

⁶ Regulation 37 of the RBI Master Directions.

PART 3

REVIEW AND OVERSIGHT

13 Board Approval

The Board has reviewed, approved and adopted this Interest Rate Policy as the interest rate policy of PayU Finance.

14 Risk Management Committee

The Risk Management Committee will oversee the implementation of this Interest Rate Policy. The Risk Management Committee will be responsible for monitoring the interest rates charged by PayU Finance as per this Interest Rate Policy and provide necessary updates and recommendations to the Board in this regard.

15 Periodicity of Review

This Interest Rate Policy will be reviewed by the Board and/or the Risk Management Committee on periodical basis as may be deemed appropriate by the Board and/or the Risk Management Committee.

16 Communication

16.1 As per the RBI Master Directions, an NBFC ND SI has to disclose to its borrower, the rate of interest, approach for gradations of risk and rationale for charging different interest rates to different categories of borrowers⁷.

16.2 Accordingly, PayU Finance will inform the borrower in writing (physically or electronically) about the rate of interest and other charges contemplated to be charged by PayU Finance (including any amendments thereof) before and at the time of availing and sanctioning the loan by way of the loan documentation of PayU Finance, this Interest Rate Policy and/or any other mode agreed between the borrower and PayU Finance.

16.3 The documentation adopted by PayU Finance (as described in detail in paragraph 12 of Part 2 of this Interest Rate Policy) allows the borrower to make an informed decision with respect to the loan. The borrower's acceptance of such terms and conditions (including any amendments thereof) will be taken and recorded by PayU Finance in writing (by physical or electronic means).

17 Amendments

17.1 Any amendments to this Interest Rate Policy will be reviewed and approved by the Board and/or the Risk Management Committee.

17.2 Provisions of this Interest Rate Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time. In case any provisions of this Interest Rate Policy are inconsistent with Applicable Laws (including any subsequent amendment(s), clarification(s), circular(s), etc.) then such provisions of Applicable Laws shall prevail over the provisions hereunder and this

⁷ Regulation 36(1) of the RBI Master Directions

Interest Rate Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

18 Publication

This Interest Rate Policy will be displayed on PayU Finance's website in compliance with the directions of the RBI and will be updated periodically to include any changes/amendments in the rate of interest or otherwise⁸.

⁸ Regulation 36(2) of the RBI Master Directions