



**INTEREST RATE POLICY  
OF  
PAYU FINANCE INDIA PRIVATE LIMITED**

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

### **Version History**

Version No.	Approved By	Approved on
1.0	Board of Directors	23.10.2020
1.1	Board of Directors	26.05.2022
1.2	Board of Directors	26.08.2023
1.3	Board of Directors	08.12.2023
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## DEFINITIONS AND INTERPRETATION

### 1 Definitions

- 1.1 **“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 SBR Master Directions, regulatory instructions 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.
- 1.2 **“Board”** means the board of directors of PayU Finance.
- 1.3 **“Companies Act”** means the Companies Act, 2013, and rules and regulations issued thereunder, as amended from time to time.
- 1.4 **“Credit Policy”** means the credit policy of PayU Finance, as amended from time to time.
- 1.5 **“Interest Rate Policy”** means this Interest Rate Policy as approved and adopted by the Board.
- 1.6 **“NBFC”** means a non-banking financial company.
- 1.7 **“NBFC-ML”** means a middle layer non-banking finance company as classified under the RBI SBR Master Directions.
- 1.8 **“PayU Finance”** means PayU Finance India Private Limited, a company incorporated under the Companies Act, 1956.
- 1.9 **“RBI”** means the Reserve Bank of India.
- 1.10 **“RBI Act”** means the Reserve Bank of India Act, 1934, as amended from time to time.
- 1.11 **“RBI SBR Master Directions”** means the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 issued by the RBI dated 19 October 2023, bearing reference number DoR.FIN.REC.No.45/03.10.119/2023-24, as amended from time to time.
- 1.12 **“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 SBR 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 non-deposit taking non-banking financial company and has been categorised as NBFC-ML in terms of the RBI SBR Master Directions. It 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 SBR Master Directions require the board of directors of a NBFC-ML to lay out appropriate internal principles and procedures to determine the interest rates, processing and other charges levied by the NBFC-ML and adopt an interest rate model in this regard.<sup>11</sup>
- 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-ML.<sup>22</sup>
- 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).

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<sup>1</sup> Paragraph 45.11.1 and 45.12 of the RBI SBR Master Directions.

<sup>2</sup> Paragraph 45.11 of the RBI SBR 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 provide 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, easy monthly instalments and equated daily 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 borrower 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 provide 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:

- i. Individual consumers; and
- ii. 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 rate will be annualized rate to enable the borrower to be informed of the exact rate being levied by PayU Finance<sup>3</sup> 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 detailed in Annexure 1.
- 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 time<sup>4</sup>.

#### **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 type of loan, tenor of loan, EDI and EMI loans due to interest differential, 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;

- 10.2** Nature of lending (type and form of loan, frequency of repayment, tenor of loan, secured/unsecured, completely paperless and non-physical model);
- 10.3** Nature of security/collateral in relation to the loan;
- 10.4** Internal cost factors (including but not limited to customer acquisition cost, operational costs, overall exposure costs, administrative costs, fixed and variable costs, business costs and margins);
- 10.5** Risk exposure to cover credit and other risks;
- 10.6** Borrower risk profile based on the credit assessment undertaken by PayU Finance. Risk profile is graded basis the factors detailed in Annexure 2;
- 10.7** Any other factors considered relevant by the Risk Management Committee from time to time; and

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<sup>3</sup> Paragraph 45.11.3 of the RBI SBR Master Directions.

<sup>4</sup> Paragraph 45.12 of the RBI SBR Master Directions.



## **10.8 External Factors**

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

- 10.8.1 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);
- 10.8.2 Prevailing and anticipated industry trends such as interest rates offered by competitors;
- 10.8.3 Inherent credit and default risk in similar business or category of borrowers, particularly trends with sub-groups/borrower segments of the loan portfolio;
- 10.8.4 Cost of funds on borrowings and costs incidental to borrowing after considering average tenure, market liquidity and refinancing avenues; and
- 10.8.5 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.

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.

### **11.2 Administrative costs and charges**

Charges and costs involving loan processing, service charges, processing fees, documentation charges, borrower 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 borrower, 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)<sup>5</sup>. PayU Finance will also endeavour to make terms and conditions in relation to the borrowings available on its website in vernacular languages most understood by its borrowers.
- 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** PayU Finance shall provide a Key Facts Statement (KFS) to all prospective borrowers to help them make an informed view before executing the loan contract, as per the standardised format prescribed in the Circular on 'Key Facts Statement (KFS) for Loans & Advances' issued by the RBI dated 15 April 2024 having reference number RBI/2024-25/18 DOR.STR.REC.13/13.03.00/2024-25, as amended from time to time.

### **12.4 Policies and Procedures**

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

12.4.1 *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.

12.4.2 *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 RBI<sup>6</sup>

### **12.5 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.

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<sup>5</sup> Paragraph 45.1 of the RBI SBR Master Directions

<sup>6</sup> Paragraph 45.12 of the RBI SBR Master Directions

## **PART 3**

### **REVIEW AND OVERSIGHT**

#### **13 BOARD APPROVAL**

The Board has reviewed, approved and adopted this document 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 to ensure compliance with any modification, amendment or supplementation to the RBI SBR Master Directions, the RBI Act and the rules made thereunder.

#### **16 COMMUNICATION**

- 16.1** As per the RBI SBR Master Directions, an NBFC-ML 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 borrowers<sup>7</sup>.
- 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 in the loan application/sanction letter/ of PayU Finance, this Interest Rate Policy.
- 16.3** The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- 16.4** The documentation adopted by PayU Finance (as described in detail in paragraph 11 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.

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<sup>7</sup> Paragraph 45.11 of the RBI SBR Master Directions

**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 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 otherwise<sup>8</sup>.

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<sup>8</sup> Paragraph 45.11 of the RBI SBR Master Directions

## ANNEXURE I

Indicative Interest Rate

(as on 1 December 2024)

Type of Product	
	Interest Rate per annum Maximum (%)
Unsecured Long Term Personal Loan	36
Unsecured Short Term Personal Loan	36
Unsecured EDI construct loans (Personal & Enterprise)	42
Credit Line Facility including LazyPlus	39
Enterprise Lending including Merchant Advances	36
Others including Specific Lending	36

**Note:**

- (i) The Interest Rates specified above are indicative only and are subject to change. The Interest Rate recorded in facility documents will be binding over this site.
- (ii) The Interest Rate shown are on per annum basis on the outstanding amount.
- (iii) PayU Finance reserves the right to revise the Interest Rate from time to time, at its sole discretion.
- (iv) Processing Fee may be charged as per below indicative rates:
  - a. For facility amount upto INR 25,000 - upto INR 1,500
  - b. For facility amount greater than INR 25,000 - upto 6% of the loan amount

## ANNEXURE 2

Factors considered in determining risk profile of borrowers:

No.	Factors Considered	Description
1	<b>Profile and financial stability</b>	Each borrower's financial health and standing are assessed by analysing various factors such as employment history, income stability and overall financial management practices.
2	<b>Credit history (vintage on bureau, bureau profile, repayment across trade lines, enquiry trend etc.)</b>	Each borrower's credit history is assessed in detail, including reviewing their credit bureau report, examining payment history across various credit lines, and counting all credit inquiries to ensure a complete understanding of their credit behaviour.
3	<b>Duration of relationship with the Borrower</b>	Length of the relationship with each borrower is considered, as a longer association provides us with greater insights into borrower creditworthiness and repayment habits, which is crucial for a comprehensive financial evaluation.
4	<b>Default risk in related borrower segment</b>	Historical default rate among borrowers with similar characteristics to the borrower in question is considered. This provides insights into the overall risk associated with lending to borrowers in a particular segment.
5	<b>Income of the borrower</b>	The borrower's loan repayment capacity is evaluated by considering their income level. A borrower in a high-income bracket is viewed as more likely to maintain stability and make timely repayments.
6	<b>Fixed Obligation to Income ratio</b>	The borrower's repayment capacity is evaluated by comparing their monthly debt obligations to their monthly income. A borrower with minimal debt has greater financial flexibility within their budget to meet loan repayment obligations compared to a borrower burdened with high debt.
7	<b>Geographic (location) of the Borrower</b>	Economic conditions and historical default rates in the borrower's geographic location are taken into account. Borrowers from regions with strong economic growth and low unemployment rates are typically seen as having a reduced likelihood of default.
8	<b>Regulatory stipulations</b> , if applicable	Any applicable regulatory stipulations are also duly taken into consideration.
9	<b>Any other factors on a case-by-case basis</b> , as applicable.	In addition to the above factors, any other relevant information is also considered on a case-by-case basis. This could include the borrower's assets and other factors that may impact their ability to repay the loan.