AQUILA FINANCE LTD

INTEREST RATE AND OTHER CHARGES POLICY

AFL/POL/10/25-R005-02

History of the Document	Adopted by	Date of Adoption/Review
Originally Adopted	Board of Directors	02-03-2014
Review & Amendment	Board of Directors	10-06-2023
Review	Board of Directors	27-04-2024
Review	Board of Directors	01-04-2025
Review& Amendment	Board of Directors	25-10-2025

This policy has been framed in compliance with the Master Directions issued by the Reserve Bank of India (RBI), including the RBI (Non-Banking Financial Company Scale Based Regulation) Directions, 2023, and any subsequent amendments. This document shall serve as the guiding principle for the determination and levy of interest rates and other charges on all loan products and financial instruments offered by Aquila Finance Limited ("the Company").

I. METHODS OF CHARGING INTEREST

a) Method Applied by the Company

The Company shall, for the time being, adopt the fixed rate of interest method on all its loan products unless decided otherwise by the Board.

b) Interest on a Reducing Balance Basis or Flat rate

The interest charged by the Company shall be calculated on the daily reducing balance of the loan account for gold loan and Flat rate forGold EMI/EWI/EDI loan. Interest will be compounded on a monthly basis if not serviced as per the contract for call loans.

c) Annualised Rate

The Company will disclose both the contracted rate and the annualised effective rate to the borrower in the loan agreement and Key Fact Statement (KFS) as per regulatory guidelines.

II. FIXING OF INTEREST RATE

1) Factors Affecting Interest Rate

The Company is free to price its loan products based on, but not limited to, the following factors:

i. Cost of Funds (including the cost of NCDs, Subordinated Debt, and other borrowings)

The effective interest rate payable on all borrowings, including Non-Convertible Debentures (NCDs), Subordinated Debt, and all other forms of borrowing. The interest cost from these liabilities shall be comprehensively factored into the company's overall cost of funds, which shall be reviewed and approved by the Board to ensure loan pricing is prudent and reflective of the actual cost of capital

ii. Operating Costs

iii. Reasonable Profit Margins

iv. Tenure of the Loan

v. Ticket Size (Loan Amount)

vi. Credit Risk Profile of the Borrower and Risk Premium

vii. Nature of Security (Secured vs. Unsecured)

viii. Locational Factors

ix. Competitor Pricing

2) Approach to Fixation of Interest Rate

a) The Management shall frame detailed internal guidelines and product-specific policies. The sanctioning authority shall apply interest rates within the limits and structure set in Schedule-I, ensuring a prudent risk-return balance for the Company's portfolio.

b) The loan sanctioning memo/report shall clearly state the rate applied to the individual loan. The sanction letter shall clearly disclose the rate of interest and all connected matters.

III. OTHER CHARGES

In addition to interest, the Company may levy charges for specific services or as a penalty for non-compliance of material terms and conditions of the loan contract.

a) Approach towards Penal Charges

Penal charges are imposed to inculcate necessary credit discipline and are not used as a revenue source. They shall be reasonable and commensurate with the default or non-compliance.

b) Nature of Penal Charges

(i) Penalty, if charged, for non-compliance of material terms and conditions of the loan contract by the borrower will 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. No further interest shall be computed on such charges.

(ii) The Company will not introduce any additional component to the rate of interest and shall ensure compliance with the applicable guidelines issued by the Reserve Bank of India in both letter and spirit.

(iii) The quantum of penal charges will be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.

(iv) The penal charges in case of 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.

(v) The quantum and reason for penal charges will be clearly disclosed by the Company to the customers in the loan agreement and Key Fact Statement (KFS), in addition to being displayed on the website of the Company under 'Interest rates and Service Charges'.

(vi) Whenever reminders for non-compliance of material terms and conditions are sent to borrowers, the applicable penal charges will be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

The details of other charges are provided in Schedule-II.

SCHEDULE -I: INTEREST RATE FOR DIFFERENT LOANS & INSTRUMENTS

SL No.	Product / Instrument	Basis of Interest Fixation & Maximum Rate	Remarks / Key Risk Gradation Factors
i.	Gold Loan	Cost of Funds + Operating Cost + Risk Premium.	Portfolio Yield: Minimum 21% p.a.
		Maximum Interest Rate: 30% p.a.	Factors: Tenure, LTV, Purity of Gold, Location, Ticket Size. Management may devise schemes to compete effectively.
ii.	Vehicle Loan (Used)	Cost of Funds + Operating Cost + Risk Premium.	Factors: Credit Score, Vehicle Brand, LTV, Tenure, Age of Vehicle, Location.
		Maximum Interest Rate: 26% p.a.	
iii.	Business Loan	Cost of Funds + Operating Cost + Risk Premium.	Factors: Credit Score, Business Vintage, Track Record with the Company.
		Maximum Interest Rate: 26% p.a.	
iv.	Microfinance	Cost of Funds + Operating Cost + Risk Premium.	Factors: Credit Score, Vintage of Business/Vocation, Track Record with the Company.
		Maximum Interest Rate: 26% p.a.	
v.	Personal Loan	Cost of Funds + Operating Cost + Risk Premium.	Factors: Credit Score, Track Record, income, Location, Tenure.
		Maximum Interest Rate: 26% p.a.	
vi.	Mortgage Loan	Cost of Funds + Operating Cost + Risk Premium.	Factors: Tenure, LTV, Location, Ticket Size. Management may devise schemes to compete effectively.
		Maximum Interest Rate: 26% p.a.	
vii.	NCDs	The interest rate on Non-Convertible Debentures (NCDs) offered to investors shall not exceed 12.5% per annum.	This rate is determined based on the Company's fund-raising strategy, market conditions, and investor appetite. It is a key component of the overall "Cost of

			Funds" for lending operations.
	Subordinated Debt	The interest rate on Subordinated Debt instruments shall be 12.5% per annum.	This reflects the higher cost of capital associated with subordinated debt due to its lower priority in repayment. This cost is a critical input into the overall "Cost of Borrowing" for lending rate calculation.
viii.	Other Loans	For any loan product not specified herein, the interest rate shall be determined by applying the principles for the most similar secured or unsecured product listed above.	
ix.	Other Borrowings/Resource Mobilization	The interest rate on all borrowings and instruments for resource mobilization shall be approved by the Board, or a duly constituted committee thereof, prior to their execution. The approved rates shall be commensurate with the prevailing market rates for instruments of a similar nature, tenor, and risk profile, ensuring optimal cost of funds and adherence to the Company's prudent financial management policies	

SCHEDULE -II: OTHER CHARGES

SL No.	Charge Type	Amount / Quantum	Remarks
1	Processing Fee	Up to 2% of the loan amount.	A one-time, non-refundable fee to be collected upfront to cover costs related to loan application processing, verification, and administrative overheads.
2	Cheque / NACH / ECS Bouncing Charge	Rs. 500 for the first instance and can be increased up to Rs. 1,000 for subsequent instances.	In case of repetitive instances of dishonour, the Company may charge a higher amount within the stipulated limit.
3	Pre-closure / Foreclosure Charge	Up to 5% of the principal loan outstanding.	Applicable if the borrower decides to close the loan before the scheduled tenure. Conditions will be specified in the loan agreement.
4	Notice Charge	Minimum Rs. 30 per notice, not exceeding Rs. 250.	Cost of sending legal or reminder notices.
5	Advertisement Charge	At actuals if advertisement is done for a specific customer (e.g., auction notice) or a standardized charge of Rs. 250 in case of a group auction announcement.	The cost will be debited to the individual borrower's account(s) and recovered from them.

6	Penal Charge on Default	A one-time penal charge, not exceeding ₹500, shall be levied on a loan account that remains overdue after the completion of its original tenure	(i) This charge is levied for the administrative costs associated with managing an overdue account. (ii) It is a penal charge and shall not be levied as a 'penal interest' that is added to the interest rate. (iii) This charge is independent of, and in addition to, any other penal charges for missed periodic instalments as specified in Charge No.2 of this table. (iv) The applicable charge shall be communicated to the borrower.
7	Legal & Recovery Expenses	All actual expenses incurred in connection with the recovery of the loan through Court/Arbitral tribunals will be debited to the borrower's account.	All other expenses incurred for legal opinion, document scrutiny for loan disbursal, actual expenses incurred in connection with the recovery of the loan through Court/Arbitral tribunals will be debited to the borrower's account.

Note: All charges mentioned above are exclusive of applicable taxes (such as GST), which will be recovered additionally from the borrower.

IV. IMPLEMENTATION AND DELEGATION OF POWERS

This policy shall be implemented through appropriate internal guidelines, circulars, and product policies duly approved by the Managing Director (MD). The MD may, for administrative convenience, fix limits and delegate powers with respect to the exercise of discretionary powers covered under this policy.

V. EFFECTIVE DATE

This policy shall be effective from the date of its approval by the Board. Any circular or internal guideline issued under this policy shall take effect from the date specified therein, or if no date is specified, from the date of its publication.

VI. Review of Policy and Severability

This policy or any part thereof can be amended by the Board of Directors at any time by a resolution passed in a meeting or through a circulation resolution. If any part of this policy is declared invalid or unenforceable by a competent court or regulatory authority, the remaining portions shall continue to be binding and effective.

VII. Ratification of Actions Taken

It is hereby declared that the interest rate models adopted by the Company and other charges levied under the terms of individual loan contracts or collected under any previous policy or prior to the approval of this policy are hereby ratified and shall remain in force till the closure of those loan accounts as per their terms.

VIII. Language Used

The language used in this policy in the singular form is deemed to include its plural form and vice versa. Similarly, expressions in the masculine gender are deemed to include the feminine gender and vice versa.

BY THE ORDER OF THE BOARD OF DIRECTORS

For AQUILAN FINANCE LTD.