

Times Guaranty Limited

INTEREST RATE POLICY

Information:

Document	Classification	Version	Status
Policy on Interest Rate	Confidential	1.0	Approved

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1. **Background:**

Times Guaranty Limited (the “Company”) is a Base Layer Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and classified as an Investment and Credit Company (ICC). The Company is listed on both major stock exchanges and is committed to maintaining high standards of corporate governance.

The company primarily focuses on providing customized financial solutions to corporate clients to support their business growth, including structured credit products such as term loans with bullet repayment options that offer repayment flexibility. The Company may also extend credit facilities to individuals with a business or professional relationship, as per its internal policies and regulatory norms. Additionally, the company manages its surplus funds through investments in mutual funds and debt securities, aiming for optimal returns with prudent risk management, while maintaining a transparent, disciplined, and compliant approach in all its operations.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions [“RBI Regulations”] issued in this regard

2. **Objectives:**

The objective of this policy are as follows:

- Ensure transparency and fairness in the determination and communication of interest rates and associated charges, adhering to regulatory guidelines.
- Develop a structured interest rate model that considers the cost of funds, margins, and risk premiums to maintain financial sustainability.
- Implement a risk-based approach for charging different interest rates depending on the borrower’s risk profile.
- Prevent excessive interest rates and charges, ensuring they align with ethical financial practices and remain sustainable.
- Regularly review and update interest rates to reflect changes in market conditions and operational costs.

3. **Scope:**

The scope of this Interest Rate Policy covers the framework for determining, reviewing, and communicating the interest rates for all loan products offered by the company. It applies to all borrowers across various business segments and ensures consistency with the company’s financial goals and regulatory requirements. The policy also outlines the methods for calculating interest, managing risk premiums, and disclosing terms to customers. It ensures transparency, fairness, and compliance with the Reserve Bank of India’s guidelines on interest rates and charges.

4. **Authority**

The Board of Directors authorizes the relevant authority to determine and review the interest rates for loans, ensuring alignment with the company's policies and regulatory guidelines. They oversee the approval of interest rate models and any necessary changes. The Board also ensures transparency and compliance in the communication of interest rates to customers.

5. Interest Rate Determination and Structure

The company follows a systematic approach to determine interest rates for its loans. The interest rate charged to a customer is based on several key factors, including the company's cost of funds, risk profile of the borrower, loan characteristics, and market conditions.

▪ **Base Rate Calculation**

The company calculates its base rate by considering the following factors:

- a. The weighted average cost of funds, which includes the cost of borrowings from various sources like banks, consortium lines, and debentures, along with owned funds invested in the business.
- b. Administrative costs, which account for overheads and other unallocable administrative expenses incurred by the company.
- c. Adjustments for asset-liability management (ALM) mismatch, if any, are considered in determining the base rate.
- d. The client profile and sensitivity, which may influence further adjustments to the base rate based on the borrower's business type and risk factors.
- e. The base rate does not include expected returns on assets, as these vary across different business segments.

▪ **Interest Rate Determination Model**

Once the base rate is determined, additional premiums are added to arrive at the final lending rate. These premiums are influenced by the following factors:

- a. The cost of funds, which reflects the expenses incurred in borrowing from various sources like banks, consortiums, and debentures.
- b. The risk profile of the borrower, with higher-risk borrowers being charged higher interest rates.
- c. The ticket size and nature of the loan, as larger or specific types of loans may carry different interest rates.
- d. The prevailing industry interest rate, to ensure the company's rates remain competitive in the market.
- e. Risk and tenure premiums, which adjust the rate based on the loan's duration and the associated risk profile of the borrower.
- f. The type of securities offered by the borrower, where higher-quality collateral may reduce the interest rate.
- g. The borrower's income stability, with more stable and regular income sources potentially leading to a lower interest rate.
- h. The loan tenure, where longer-term loans or loans with a long customer relationship may attract a higher interest rate.
- i. Market dynamics, reflecting changes in the economic environment and overall market trends.

▪ **Risk Gradation and Documentation**

The company categorizes risk based on several factors, including borrower profile, loan type, and broader market conditions. The risk level is documented and reviewed periodically. The risk assessment includes:

- a. Credit reports obtained from credit bureaus and financial institutions to assess the borrower's creditworthiness.
- b. Market intelligence gathered on industry trends and competitor practices to ensure competitive rates.
- c. Field inspections of borrower premises, if applicable, to assess business conditions and collateral.
- d. Internal benchmarking using historical data and analytical tools to determine appropriate interest rates.

▪ **Interest Rate and Default Penalties Disclosure**

The company ensures complete transparency regarding interest rates and penalties. These are disclosed clearly to the borrower in:

- a. The Key Fact Statement (KFS), which includes all terms related to interest rates, penalties, and other loan-related charges.
- b. The sanction letter and loan agreement, where interest rates and penalties are prominently displayed in bold and in annualized format to ensure clarity for the borrower.

6. Information to the Customers

- Interest rates may vary for the same product, depending on the borrower, the time of borrowing, or the product itself. This means the rate can differ for different borrowers, or for the same borrower at different times.
- Interest may be offered at a fixed rate, meaning the rate remains the same for the entire loan duration, or on a variable rate basis, where it may change periodically.
- Interest will be calculated based on the amount the borrower uses, not the total sanctioned limit. However, the company can charge fees for any unused portion of the loan.
- The interest rate, reset period, and loan terms will be clearly communicated in the Key Fact Statement (KFS), the sanction letter, and loan agreement. This includes the annualized rate of interest and how the risk gradation affects the rate.
- If there are changes in interest rates or important terms, they will be communicated to customers in advance, through the company website, app (if applicable), or newspapers. Customers will be notified before any changes are implemented.
- If the payment due date or the last day of the cut-off period falls on a public holiday or Sunday, the due date will be moved to the next business day. Interest payments are due immediately on the last day of the period, though a grace period may be allowed.
- Penal charges, prepayment charges, and other financial charges may be applicable and will be clearly stated in the loan agreement and KFS. These charges are applicable as per the terms agreed upon.
- Customers may be required to deduct tax at source on payments, as per applicable regulations. The company will be informed in writing if this applies.
- The company will generally not entertain claims for refunds or waivers of charges or penal charges unless there is a specific reason. The company has discretion over such requests.

- The company's interest rate policy will comply with the regulations and directions issued by the Reserve Bank of India. In case of any conflicts, RBI guidelines will take precedence.

7. Exception Handling

The policy shall always be updated with extant regulatory provisions. However, in case of conflict between the Policy and regulations, the regulatory provisions shall always supersede the policy.

The updated policy shall be adhered at all the times and exceptions if any to the policy shall be approved by the board of directors after recording a reason in writing.

8. Adoption, Effective Date and Review

This policy has been adopted vide resolution of the Board of Directors of the Company dated 11th June 2025. This policy shall be applicable organization wide with effect from 11th June 2025. This policy shall be reviewed by the Board of Directors on atleast an Annual basis.

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