INTEREST RATE AND CHARGES POLICY

OF

HYTONE MERCHANTS PRIVATE LIMITED

CIN: U51109WB1994PTC063994

RBI Regn. No.: 05.02294

Registered Office: 87, Diamond Harbour Road, Kolkata - 700038

Board Approved Policy Document

Summary of Policy

Version	Issue and Effective Date	Review periodicity	Approving Authority	Policy Owner
V1	16-08-2019	Annual	Board of Directors	Compliance Department
V2	03-04-2021	Annual	Board of Directors	Compliance Department
V3	01-09-2022	Annual	Board of Directors	Compliance Department
V4	30-06-2023	Annual	Board of Directors	Compliance Department
V5	15-12-2023	Annual	Board of Directors	Compliance Department
V6	24-12-2025	Annual	Board of Directors	Compliance Department

Review Date	Next Review Date	Comments / Remarks / Changes
15-08-2020	August 2021	Annual Review
03-04-2021	April 2022	Updated as per new RBI guidelines
02-04-2022	April 2023	Annual Review
01-09-2022	September 2023	Review in line with DLG requirement and relevant guidelines issued by RBI
30-06-2023	June 2024	Review as per new RBI guidelines
15-12-2023	December 2024	Review in line with changes in penal charges and the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023
07-12-2024	December 2025	Annual Review
24-12-2025	December 2026	Revision in line with the current business practices and latest RBI guidelines

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1. PREAMBLE AND REGULATORY BASIS

Hytone Merchants Private Limited (the "Company" / "Hytone") is a Non-Banking Financial Company registered with the Reserve Bank of India. The Company undertakes lending activities directly and/or through its digital lending brand, UrbanMoney.

The Reserve Bank of India has directed NBFCs to adopt appropriate internal principles and procedures for determining interest rates, processing fees, penal charges and other charges, and to disclose the rate of interest, approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers in the application form and sanction communication.

This Interest Rate and Charges Policy has been adopted to ensure transparency, fairness, consistency, reasonableness and regulatory compliance in pricing of loans and advances. This Policy shall be read with the Company's Fair Practice Code, Penal Charges Policy, Grievance Redressal Policy, Loan / Credit Policy, KFS / APR template, product policies and applicable RBI directions as amended from time to time.

This Policy shall be effective from the date of approval by the Board of Directors. In case of any inconsistency between this Policy and any applicable law, RBI direction, circular, clarification or regulatory instruction, the stricter requirement or the requirement under applicable law / RBI directions shall prevail.

2. OBJECTIVE

- To establish a Board-approved framework for determining interest rates, processing fees and other charges in a fair and transparent manner.
- To identify the relevant pricing components, including cost of funds, operating cost, credit risk premium, tenor, collateral, customer segment and reasonable margin.
- To ensure that the annualised rate of interest, method of application, APR and applicable charges are disclosed to the borrower in the application journey, sanction communication, KFS, loan agreement and/or other borrower-facing documents.
- To ensure that the approach for gradation of risk and rationale for charging different rates to different categories of borrowers are disclosed and capable of being explained.
- To ensure that interest rates and charges are not excessive, arbitrary, discriminatory or used in a manner inconsistent with normal financial practice.
- To provide an internal review and escalation mechanism for complaints relating to excessive interest, wrong APR disclosure, incorrect charges or inconsistency between sanctioned terms and charges applied.

3. APPLICABILITY

This Policy shall apply to all loan products, credit facilities, borrower segments, digital lending channels, physical channels, co-lending / sourcing arrangements, vehicle loans / vehicle-backed facilities, personal loans, business loans, secured loans and unsecured loans offered by the Company, unless a specific product is governed by a stricter regulatory or Board-approved framework.

This Policy shall apply to interest rates, processing fees, documentation charges, convenience charges, platform charges, pre-payment / foreclosure charges, third-party charges recovered through the Company, and all other charges payable by borrowers, except penal charges which shall be governed primarily by the Company's Penal Charges Policy and applicable RBI directions.

4. GOVERNANCE AND APPROVAL FRAMEWORK

The Board of Directors shall approve this Policy and shall provide oversight over the pricing framework of the Company. Product-wise rates, charges, fee schedules and revisions may be approved by the Board, a Board-designated committee, Product / Pricing Committee, or such authority as may be delegated under the internal delegation of authority, provided that such approval remains within the framework of this Policy and applicable RBI directions.

- The Finance Department shall provide cost of funds, borrowing cost, liquidity cost and profitability inputs.
- The Credit / Risk Department shall provide borrower segment, portfolio performance, expected credit loss and risk grading inputs.
- The Product / Business Department shall provide product economics, market and operational inputs.
- The Compliance Department shall review regulatory alignment, disclosure requirements, KFS / APR treatment and customer protection obligations.
- The Operations / Technology Department shall ensure that system configurations and borrower-facing disclosures are aligned with approved pricing terms.

No interest rate, processing fee, charge, waiver, discount or product pricing structure shall be implemented unless it is approved, documented and configured in accordance with the Company's delegation of authority and compliance controls.

5. INTEREST RATE MODEL

The final rate of interest to be charged to a borrower shall be determined by considering one or more of the following components. The Company may assign weightage to these components based on product design, borrower segment, credit risk, security, tenor, regulatory requirement and business model.

Component	Description
Cost of Funds	Weighted average cost of debt, borrowings, debentures, bank facilities, own funds and other sources of capital used for lending, including related fund-raising costs where applicable.
Liquidity / Cash Reserve Cost	Cost of maintaining liquidity buffers, cash reserves, committed lines, undrawn limits or other prudential liquidity arrangements that support the lending business.
Operating Cost	Cost of sourcing, underwriting, KYC, documentation, technology, payment processing, servicing, customer support, collection oversight, compliance, credit bureau usage and general overheads attributable to the loan product.
Credit Risk Premium	Expected credit loss and risk premium based on borrower profile, bureau behaviour, repayment track record, product type, security, portfolio performance, vintage, geography, industry, cash-flow profile and other credit-risk indicators.
Tenor / Product Structure	Effect of loan tenor, repayment frequency, moratorium, bullet repayment, EMI / EPI structure, short-tenor risk and prepayment behaviour.
Security / Collateral	Nature, quality and value of collateral, if any, enforceability, asset liquidity, repossession / recovery risk and legal risk.
Reasonable Margin	Reasonable return on capital, business sustainability, credit discipline and reinvestment needs, subject to borrower protection and normal financial practice.

The Company shall ensure that the pricing model does not treat penal charges as an interest component or as a revenue-enhancement tool. Penal charges, if levied, shall be governed by the Penal Charges Policy and shall not be capitalised or treated as penal interest.

6. COMPUTATION AND APPLICATION OF INTEREST

Interest may be charged on fixed-rate, floating-rate, hybrid-rate or such other basis as may be approved for the relevant product and disclosed to the borrower. The rate of interest shall be disclosed on an annualised basis so that the borrower is aware of the exact rate charged to the loan account.

- Interest shall generally be calculated on the outstanding principal amount, unless the product documentation expressly provides otherwise and such treatment is disclosed to the borrower.
- The method of interest application, including reducing balance, flat rate equivalent, monthly / daily basis, broken-period interest and repayment frequency, shall be disclosed in the sanction terms, KFS and/or loan agreement, wherever applicable.
- Broken-period interest, if applicable, shall be calculated only for the actual period for which the loan remains outstanding or as otherwise clearly disclosed in the loan documents.
- Any change in interest rate or charges shall be prospective and shall be communicated to the borrower in the vernacular language or a language understood by the borrower through physical or permitted digital mode.
- Where any floating-rate or benchmark-linked product is offered, reset, transmission, borrower options and disclosures shall be governed by the applicable Board-approved policy and RBI directions.

7. PROCESSING FEES AND OTHER CHARGES

Processing fees and other charges shall be determined based on the nature of the product, ticket size, tenor, sourcing channel, underwriting effort, KYC and documentation cost, technology and servicing cost, payment-gateway or third-party cost, legal or valuation cost, collateral handling, operational complexity and risk associated with the application.

- Processing fees, documentation charges, platform charges, convenience charges, payment charges, valuation charges, legal charges, insurance charges, stamping charges or any other charges shall be disclosed upfront in the KFS / sanction letter / loan agreement, wherever applicable.
- No fee or charge not mentioned in the KFS shall be charged to the borrower during the term of the loan without explicit consent of the borrower.
- Charges recovered by the Company on behalf of third-party service providers on actual basis shall form part of APR wherever required under RBI directions and shall be disclosed separately.
- Receipts and related documents for third-party charges recovered through the Company shall be provided to the borrower within a reasonable time.
- Applicable taxes, including GST, shall be levied only in accordance with applicable law and shall be disclosed to the borrower wherever applicable.

8. PENAL CHARGES

Penalty, if charged for non-compliance of material terms and conditions of the loan contract, including default in repayment, shall be treated only as penal charges and not as penal interest. The Company shall not introduce any additional component to the rate of interest in the form of penal interest.

- There shall be no capitalisation of penal charges and no further interest shall be computed on such penal charges. No additional or fresh penal charges shall be levied on the earlier outstanding amount of penal charges.
- Penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract.
- Penal charges shall be levied only on the amount under default or non-compliance, wherever applicable, and shall not be discriminatory within a loan / product category.
- The quantum and reason for penal charges shall be clearly disclosed in the loan agreement, MITC / KFS, sanction terms and on the Company's website under interest rates and service charges.
- Whenever reminders for non-compliance are sent to borrowers, the applicable penal charges shall be communicated. Any instance of levy of penal charges and the reason shall also be communicated.
- For individual borrowers for purposes other than business, penal charges shall not be higher than those applicable to non-individual borrowers for similar non-compliance.

The detailed framework for penal charges shall be governed by the Company's Penal Charges Policy. In case of existing loans, the switchover to the applicable penal charges framework shall be ensured on the next review date, renewal date or such earlier date as may be required under applicable RBI directions.

9. PRE-PAYMENT / FORECLOSURE CHARGES

Pre-payment / foreclosure charges, if any, shall be levied only in accordance with applicable RBI directions, the Company’s Board-approved pre-payment / foreclosure framework, product terms and borrower disclosures. For loans sanctioned or renewed on or before December 31, 2025, the Company shall not levy pre-payment charges on any floating-rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

For loans sanctioned or renewed on or after January 1, 2026, the following shall apply:

- Floating-rate loans for purposes other than business to individuals: No pre-payment charges shall be levied, whether the loan has been granted with or without co-obligant(s).
- Floating-rate loans for business purposes to individuals and Micro and Small Enterprises: The Company shall apply the applicable RBI layer-specific treatment from time to time. If the Company is classified as NBFC-Upper Layer, no pre-payment charges shall be levied. If the Company is classified as NBFC-Middle Layer, no pre-payment charges shall be levied on loans with sanctioned amount / limit up to ₹50 lakh. If any other regulatory treatment becomes applicable to the Company, the Company shall follow the applicable RBI directions.
- The above restrictions shall apply irrespective of the source of funds used by the borrower for pre-payment, whether the pre-payment is in part or in full, and without any minimum lock-in period.
- In case of dual-rate / special-rate loans, being a combination of fixed and floating rate, applicability of pre-payment charges shall depend on whether the loan is on floating rate at the time of pre-payment.
- In cases other than those where pre-payment charges are prohibited, pre-payment charges, if any, shall be levied only as per the approved policy of the Company and applicable RBI directions. In case of term loans, such charges shall be based only on the amount being prepaid.
- In case of cash credit / overdraft facilities, pre-payment charges on closure of the facility before the due date, where lawfully applicable, shall be levied on an amount not exceeding the sanctioned limit.
- In case of cash credit / overdraft facilities, no pre-payment charges shall be applicable if the borrower intimates the Company of his / her / its intention not to renew the facility before the period stipulated in the loan agreement, provided that the facility gets closed on the due date.

- No pre-payment charges shall be levied where pre-payment is effected at the instance of the Company.
- The applicability or non-applicability of pre-payment / foreclosure charges shall be clearly disclosed in the sanction letter and loan agreement. Where KFS is applicable, the same shall also be disclosed in the KFS. No pre-payment charges which have not been disclosed in the prescribed manner shall be charged by the Company.
- The Company shall not levy any charges / fees retrospectively at the time of pre-payment in respect of any charge or fee waived earlier by the Company.

10. RISK GRADATION AND PRICING FACTORS

The Company may charge different rates of interest to different categories of borrowers based on risk gradation, provided that the rationale is fair, non-arbitrary, documented and capable of being explained. The following factors may be considered:

1. Borrower profile, employment / business status, income source, cash-flow stability and repayment capacity.
2. Credit bureau score, credit history, delinquency record, existing obligations and repayment behaviour.
3. Loan amount, tenor, repayment structure, frequency of repayment and product type.
4. Nature, value, enforceability and liquidity of collateral / security, if any.
5. Vintage and performance of borrower relationship with the Company, including previous repayment track record.
6. Geography, industry segment, borrower category, end-use and business-purpose / non-business-purpose classification.
7. Bank statement, Account Aggregator data, GST / income data, salary / employment data, payment behaviour and other data-based indicators, wherever lawfully obtained and used.
8. Portfolio-level loss experience, fraud risk, operational risk, recovery cost and expected collection effort for similar borrower segments.
9. Competitive market conditions, regulatory requirement and product sustainability, provided that borrower protection and normal financial practice are not compromised.

The Company shall not discriminate on grounds prohibited by law or applicable RBI directions. Any risk-based pricing difference shall be supported by business, credit, product or portfolio rationale.

11. DISCLOSURE TO BORROWER AND WEBSITE PUBLICATION

The Company shall communicate to the borrower, in writing and in the vernacular language or a language understood by the borrower, the loan amount, annualised rate of interest, method of application, APR, processing fees, penal charges, other charges, repayment terms, pre-payment / foreclosure charges, third-party charges and all material terms and conditions, wherever applicable.

- Disclosures shall be made through the loan application journey, sanction letter, KFS, loan agreement, MITC, website, mobile application, email, SMS, in-app communication or other permitted mode, as applicable.
- The rates of interest and approach for gradation of risk shall be made available on the Company's website or other approved public communication mode and shall be updated whenever there is any change.
- Providing only a reference to a website schedule shall not be used as a substitute for upfront disclosure of borrower-specific charges in the KFS / sanction letter / loan agreement wherever RBI directions require specific disclosure.
- The Company shall preserve acknowledgement / acceptance records of borrower disclosures, including KFS acknowledgement, digital consent logs, sanction acceptance and loan agreement execution records.

12. APR, KFS AND THIRD-PARTY CHARGES

For all retail and MSME term loan products where KFS is required under RBI directions, the Company shall provide the KFS in the prescribed format before execution of the loan contract. The KFS shall be written in a language understood by the borrower, its contents shall be explained to the borrower and an acknowledgement shall be obtained.

- The KFS shall have a unique proposal number and validity period in accordance with applicable RBI directions. The validity period shall mean the period available to the borrower, after being provided the KFS by the Company, to agree to the terms of the loan.
- The Company shall be bound by the terms of the loan indicated in the KFS if the borrower agrees to such terms during the validity period.
- The KFS shall include computation sheet of Annual Percentage Rate and amortisation / repayment schedule, wherever applicable. For all applicable retail and MSME term loan products, the KFS shall include the computation sheet of Annual Percentage Rate and the amortisation schedule of the loan over the loan tenor, in accordance with applicable RBI directions.
- APR shall include all charges levied by the Company and third-party charges routed through the Company, in accordance with applicable RBI directions.
- Any fees or charges not mentioned in the KFS shall not be charged to the borrower during the loan term without explicit consent.
- The KFS shall be included as a summary box as part of the loan agreement, wherever applicable. The Company shall maintain the applicable RBI-format KFS template, APR computation methodology, amortisation schedule format, borrower acknowledgement mechanism and system logic for APR computation as part of its compliance records.

13. EXCESSIVE INTEREST / CHARGES COMPLAINTS AND REVIEW

Although RBI does not regulate interest rates for NBFCs in general, the Company recognises that rates beyond a reasonable level may be seen as excessive, unsustainable or not conforming to normal financial practice. Therefore, the Company shall maintain internal controls to avoid arbitrary or excessive interest and charges.

- Complaints alleging excessive interest, unreasonable charges, incorrect APR, wrong charge application or inconsistency between sanctioned terms and amount charged shall be treated as customer grievances under the Grievance Redressal Policy.
- Material or repeated complaints relating to interest / charges shall be reviewed by Compliance / Senior Management and, where material, placed before the Board or Board-designated committee.
- The Product / Pricing Committee or relevant internal authority shall periodically review portfolio-level rates, charges, margins, borrower complaints and market comparability to ensure reasonableness.
- Corrective action, refund, reversal, system correction or borrower communication shall be initiated where any overcharge, incorrect disclosure or system error is identified.

14. DEVIATIONS AND EXCEPTIONS

Any deviation from the approved product-wise rate / charge schedule shall require documented approval as per the Company's internal delegation of authority. Deviations shall not violate applicable RBI directions, borrower disclosures, KFS terms, loan agreement terms or Board-approved policy.

- Discounts, waivers, promotional pricing or borrower-specific concessions shall be documented and approved.

- No deviation shall permit collection of undisclosed charges, capitalisation of penal charges, levy of prohibited pre-payment charges, retrospective levy of waived charges or any charge inconsistent with the KFS without explicit consent where required.
- Any system override impacting interest rate, charge, APR, repayment amount or borrower disclosure shall be logged and reviewed.

15. RECORD MAINTENANCE AND AUDIT TRAIL

The Company shall maintain records relating to pricing approvals, product-wise rate sheets, charge schedules, KFS templates, APR computation methodology, borrower disclosures, sanction letters, loan agreements, website disclosures, waiver approvals, rate changes, system configurations, borrower complaints and Board / committee review records.

Unless a longer period is prescribed under applicable law, RBI directions, litigation requirement, audit requirement or the Company's Board-approved record retention policy, such records shall be preserved for a minimum period of eight years from the date of closure of the relevant loan account or expiry of the relevant product / rate schedule, whichever is later. Records shall be retrievable and capable of being produced before RBI, auditors, the Board / committee or any competent authority whenever required.

16. REVIEW OF POLICY

This Policy shall be reviewed at least annually by the Management and placed before the Board of Directors or a Board-designated committee for review / approval. The Policy may be reviewed earlier in case of regulatory change, audit observation, borrower complaint trend, change in product design, change in funding cost, change in business model, Board / Senior Management direction or RBI observation.

A consolidated pricing review shall include, at minimum, product-wise interest rates, processing fees, other charges, APR treatment, borrower complaints, complaints relating to excessive interest / charges, market comparison, portfolio performance, credit losses, profitability, waiver / deviation trends, system overrides, website disclosure status, KFS / sanction disclosure status and implementation of previous review observations.

17. REGULATORY OVERRIDE

No provision of this Policy shall be interpreted to dilute any requirement under applicable RBI directions, law, court order, regulatory instruction or the Company's Board-approved policies. In case of any inconsistency between this Policy and applicable RBI directions / law, the stricter requirement or the requirement under applicable RBI directions / law shall prevail.

ANNEXURE I - PRODUCT-WISE INDICATIVE RATE AND CHARGE SCHEDULE

The product-wise rate and charge schedule below shall be populated / updated based on approvals of the Board / Board-designated committee / Product & Pricing Committee, and shall be disclosed to borrowers through the application journey, sanction letter, KFS, loan agreement and website, wherever applicable. Exact borrower-level rates and charges shall be as per the approved product terms and borrower-specific KFS.

Product	Indicative Annualised Interest Rate	Indicative Tenor	Processing Fee / Other Charges	Ticket Size
Short-term Personal Loan i.e.	36% - 240% per annum	Upto 91 days	Upto 3% of the loan amount plus taxes	Upto 30,000/-

Product	Indicative Annualised Interest Rate	Indicative Tenor	Processing Fee / Other Charges	Ticket Size
UrbanMoney App Loan				
Vehicle Loan / Vehicle-backed Facility	24% - 72% per annum	Upto 84 months	Upto 8% of the loan amount plus taxes	Upto 50 lacs
Business Loan / Working Capital Facility	24% - 72% per annum	Upto 84 months	Upto 5% of the loan amount plus taxes	Upto 100 lacs
Secured Loan / Other Loan Product	24% - 72% per annum	Upto 84 months	Upto 8% of the loan amount plus taxes	Upto 500 lacs

Notes:

1. The above rates and charges represent maximum product-level limits approved under the Company's governance framework. The actual borrower-specific rate and charges shall be determined based on risk gradation, borrower profile, product structure, tenor, collateral, credit assessment, operational cost, expected credit loss and applicable regulatory requirements.
2. The annualised rate of interest, method of application, APR, processing fee, other charges, pre-payment / foreclosure charges, penal charges and borrower-specific material terms shall be disclosed in the application journey, sanction letter, KFS and loan agreement, wherever applicable.
3. No fee or charge not mentioned in the KFS shall be charged during the term of the loan without explicit consent of the borrower.
4. The website / public disclosure of interest rates and service charges shall be updated whenever there is any change.
5. Any product carrying a materially high annualised interest rate, including short-tenor personal loan products, shall be supported by a documented product-pricing rationale, Board / committee approval, APR computation, borrower disclosure evidence and periodic review to ensure that the pricing is not arbitrary, discriminatory, opaque, misleading, excessive or inconsistent with normal financial practice.
6. The Company shall maintain product-wise rate sheets, approval notes, APR illustrations, KFS samples and website disclosure evidence as part of its compliance records.

ANNEXURE II - INDICATIVE RISK GRADATION MATRIX

The risk gradation matrix below shall be used to support borrower-level pricing within the product-wise pricing bands approved under Annexure I. The matrix is indicative and shall be applied together with product policy, credit policy, collateral assessment, borrower segment, portfolio performance and applicable RBI directions. Any borrower-specific pricing shall be capable of being explained with reference to documented credit, product, portfolio or risk rationale.

Risk Factor	Lower Risk Indicator	Higher Risk Indicator	Potential Pricing Impact
Credit Bureau / Repayment History	Strong repayment history, low delinquency	Poor / thin bureau, past delinquency	Higher risk premium may apply
Income / Cash Flow	Stable income and verifiable cash flow	Unstable / unverified income	Higher risk premium / lower exposure
Collateral / Security	Adequate, enforceable, liquid collateral	Unsecured or weak collateral	Lower / higher pricing depending on security
Tenor	Short / standard tenor with predictable repayment	Longer tenor or higher uncertainty	Tenor premium may apply
Borrower Relationship	Existing borrower with good repayment track record	New borrower or weak relationship history	Relationship benefit or higher premium
Operational / Collection Risk	Digital repayment, low friction, clear contactability	High follow-up / recovery effort	Operational cost component may vary