True Credits Private Limited

Interest Rate and Pricing Policy

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1. BACKGROUND AND INTRODUCTION

The Reserve Bank of India (RBI), vide its **Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025** ("**RBI Responsible Business Conduct Directions**"), has prescribed broad principles for determining interest rates, pricing frameworks, and other charges applicable to loan products offered by Non-Banking Financial Companies (NBFCs). These Directions require NBFCs to adopt a transparent interest rate model that factors in elements such as cost of funds, operating expenses, margins, and credit risk premium, and to clearly communicate to customers the applicable interest rates, risk gradation approach, and rationale for differential pricing. The aforesaid Directions also prescribes a comprehensive framework on the structure, quantum, and disclosure of penal charges levied by NBFCs on borrowers

True Credits Private Limited (the "Company") has consistently followed internal procedures and fair practices in pricing its credit facilities.

In alignment with the aforesaid directions, the Company has framed this Interest Rate and Pricing Policy (the "Policy"), which supersedes all earlier versions approved by the Board.

2. OBJECTIVE

In accordance with the applicable RBI Master Directions and other relevant regulations, and in adherence to its Fair Practices Code, the objective of this Policy is to articulate the Company's pricing methodology. It outlines the key components of the interest rate model and applicable charges across customer segments and products, ensuring that:

- All relevant costs are considered in the determination of interest rates;
- Credit risks are managed effectively through risk-based pricing;
- A robust pricing and governance framework is maintained;
- Full transparency and fair disclosure is ensured to customers; and
- The Company remains compliant with all applicable regulatory requirements.

3. SCOPE

This Policy applies to all digital unsecured personal loan products offered by the Company, as enumerated below. Upon the introduction of any new product category, this Policy shall be updated accordingly.

The Policy covers the determination of interest rates, fees, and other charges, including the underlying pricing methodology, risk-based pricing framework, and cost components. It is applicable to all relevant business functions involved in credit appraisal, pricing, sanctioning, and servicing of loans

The Policy ensures compliance with applicable RBI regulations and the Company's Fair Practices Code. It also governs the communication and disclosure of interest rates, charges, and related methodologies to customers in a transparent and consistent manner.

4. PRODUCT VARIANTS

The Company offers the following unsecured personal loan products through digital mode:

a. Cash Loan 6 months
b. Cash Loan 12 months
c. Cash Loan 24 months
d. Level-up Loan 6 months
e. Level-up Loan 12 months
f. Level-up Loan 18 months

All loan products currently offered by the Company are on a fixed rate of interest basis. The rate of interest charged to a customer shall not change during the tenure of the loan. Provisions relating to reset of floating interest rates shall be incorporated into this Policy upon any future introduction of floating rate products.

5. INTEREST RATE MODEL

The pricing methodology is designed to ensure a transparent and fair approach for customers. The overall pricing may include interest and/or fees, which may be charged upfront or based on the usage of the credit facility.

The Company segments customers into different risk categories based on its internal credit scoring model, which determine the risk profile of each customer. Taking into consideration the cost components of pricing, a final pricing is arrived at for each customer.

The interest rate model of the Company comprises the following components:

Sl. No.	Component	Description	Notes
1.	**Weighted Average Cost of Borrowings**	Blended cost of all outstanding borrowings	Includes debt from banks, NCDs, CPs. NBFCs and foreign currency loans. Fund raising costs such as arranger fees, processing fees and hedging costs are included.
2.	**Expected return on capital employed**	The minimum return required by the Company on its capital employed, representing the cost of equity capital deployed.	Estimated using standard financial market pricing models and periodically reviewed by the Product and Pricing Committee. The quantum is determined by the Committee as each pricing review, having regard to market conditions, investor return expectations and Company's capital position.

3.	**Negative Carry on Liquid Reserves**	Cost associated with maintaining liquidity buffers and managing deployment gaps	The Company maintains cash and liquid reserves for liquidity management and regulatory compliance. These reserves earn sub-loan-book returns, resulting in a negative carry.
4.	**Cost of Funds**	**(1) + (2) + (3)**	**Sum of all cost-of-funding components, adjusted for leverage.**
5.	**Operating Expenses**	All operating costs associated with originating, processing, servicing, and managing the on-book loan portfolio, including direct and indirect costs attributable to the lending business.	Direct costs include marketing and customer acquisition expenses, underwriting and credit assessment costs, payment gateway and technology charges, KYC and verification expenses, and communications costs. Indirect costs include employee expenses, legal and compliance costs, and corporate overheads. Operating expenses attributable to the Company's on-book loan portfolio are considered. Operating expenses are expressed as a percentage of average on-book AUM for the relevant period. In determining the operating cost rate to be incorporated into the pricing model, the Product and Pricing Committee may apply a forward-looking adjustment to reflect anticipated improvements in operating efficiency arising from expected growth in the on-book portfolio. The quantum of any such forward-looking adjustment shall be determined at each periodic pricing review, based on its assessment of growth and consequent efficiency improvement. In determining the operating cost component to be recovered through interest income, the Committee may take into account processing fees separately recovered from borrowers to the extent considered appropriate. This is done to avoid double-counting of costs already recovered through upfront charges (processing fees).
6.	**Reference Interest rate**	(4) + (5)	Cost of funds plus Operating expenses. This represents the floor rate at which

			lending breaks even before risk and return components are applied.
7.	**Tenor Premium**	Premium charged for the incremental risk associated with lending for longer tenors.	A higher tenor premium is applied to longer tenure loan products to reflect the associated duration risk and uncertainty. This premium is uniform across all loan products for a given residual tenor.*
8.	**Credit Risk Premium**	Risk-adjusted component designed to compensate for credit losses and the uncertainty associated with borrower default risk.	Determined based on the risk gradation of each customer as described below. The premium is higher for customers with a higher risk of default and lower for customers with a stronger credit profile. The Committee shall undertake periodic reviews to ensure alignment between pricing, observed portfolio performance, and risk appetite.
9.	**Business Strategy Premium/ Discount**	Adjustment to the final rate based on the Company's business strategy, competitive environment, and customer relationship.	The Product and Pricing Committee may apply a premium or discount to the reference interest rate, taking into account market competition, portfolio strategy, customer acquisition priorities, and the nature of the credit facility. This component may be positive or negative.
10.	**Borrower Interest Rate**	(6) + (7) + (8) + (9)	The annualised interest rate communicated to the customer in the KFS, sanction letter and loan agreement. Subject to the ceiling specified in Clause 11 below.

** Tenor premium currently is Nil due to the short term nature of the loan products offered by the Company.*

6. Risk Gradation Parameters for Credit Risk Premium

The Company may adopt differential pricing for credit facilities across borrower segments within its lending portfolio, based on a range of factors. Identical products with the same tenure, availed during the same period, may carry different interest rates for different customers.

Pricing may vary based on the Credit Risk Premium charged to borrowers, individually or in combination, which is determined based on one or more of the following factors:

- Credit and default risk profile of the customer, including likelihood of default;

- External credit bureau score and credit report attributes, including past defaults with other lenders;
- Past repayment track record with the Company or with other lenders;
- Customer relationship and tenure of association with the Company;
- Income level, stability of earnings, and nature of employment or occupation;
- Financial position and other existing indebtedness of the customer;
- Customer segment and demographic conditions;
- Nature of the credit facility and ticket size of the loan;
- Risk related to loss of credit due to the short tenure of the loan;
- Results from digital verification and data-based signals;
- Geographic location and location-based delinquency patterns;
- Nature and value of collateral security, and loan-to-value (LTV) ratio (where applicable);
- Prevailing market competition and industry trends;
- RBI guidelines and regulatory stipulations, if applicable; and
- Any other factors on a case-by-case basis, as may be applicable.

Further, the Company has established a risk gradation framework for determining the credit risk premium applicable to its products, based on each customer's level of credit risk (Low/ Medium/ High). The Company may periodically review and adjust the risk gradation framework and the corresponding credit risk premium, based on observed portfolio performance and risk appetite.

7. Review and governance of Credit Risk Premium

The Credit Risk Premium framework, including the risk segmentation approach and the Credit Risk Premium applicable to each product and tenure, shall be reviewed at least on a quarterly basis.

The review shall be conducted jointly by the Risk Management function and the Product Management function. The Product and Pricing Committee (P&PC) shall review the data, observations, and any proposed adjustments, and approval from the P&PC is required for the implementation of any changes to the Credit Risk Premium framework.

All material change(s) to the Credit Risk Premium framework shall be reported to the Board in its immediately succeeding meeting following the change(s). The Board shall retain overall oversight of the pricing framework under this Policy. The Company may segment borrowers into distinct risk segments based on the factors outlined above for operational convenience.

8. OTHER FEES AND CHARGES

In addition to the interest rate, the Company may levy other charges as set out in the schedule below. Charges like stamp duty, GST, and other statutory levies shall also be collected at applicable rates. Any revision in these charges shall be implemented prospectively with due communication to customers.

S. No.	Particulars	Description
1.	Processing Fees	Fees towards sourcing credit appraisal, digital verification including KYC, documentation and other related costs.
2.	Foreclosure Fees	Applicable when the borrower opts to close the loan amount before the completion of full tenure.
3.	Interest on overdue amount	Normal contractual interest continues to accrue on the outstanding amounts from the due date to the date of actual payment.
4.	Penal Charges (late repayment)	Charged on the overdue EMI principal amount in the event of delay in payment beyond the due date. Penal charges are not in the nature of penal interest added to the contracted rate of interest and shall not be capitalised.
5.	Pre-payment Charges	Applicable when the borrower makes a partial prepayment of the outstanding loan amount.

The quantum of above fees/charges shall be governed by Service and Other Charges for Personal Loans as available on the website of the Company.

Principles governing penal charges:

- Penal charges shall be levied only in the form of a flat fee or a percentage of the overdue amount and shall not be in the nature of penal interest added to the contracted rate of interest.
- There shall be no capitalization of penal charges, i.e., no further interest shall be computed on such charges.
- Penal charges shall be reasonable and proportionate to the non-compliance of material loan terms and shall not be discriminatory within a particular loan or product category.
- The quantum of penal charges applicable 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 of material terms and conditions.
- The Company shall not introduce any additional component to the rate of interest.
- The quantum and rationale for penal charges shall be disclosed to borrowers in the KFS. Updated penal charges shall be displayed on the Company's website.
- Borrowers shall be clearly informed of applicable penal charges whenever reminders of non-compliance are sent. Any instance of levy of penal charges and the reason therefore shall also be communicated to the borrower.
- Additional or fresh penal charges shall not be levied on earlier outstanding amounts of penal charges.
- The borrower agreement shall include a provision allowing the Company to levy appropriate charges, in addition to interest, in the event of any material default or breach of the terms and conditions of the sanction letter.

9. REVIEW OF PRICING AND OTHER CHARGES

The Board shall provide an overall guidance on the pricing and other applicable charges for loan products to the Product and Pricing Committee (P&PC) of the Company. The P&PC shall be responsible for reviewing and making any changes to the pricing, and other applicable charges for the Company's loan products in accordance with the guidance provided by the Board.

The Board will periodically review the pricing and all other applicable charges for loan products.

Reviews may also be conducted on an ad-hoc basis to incorporate changes in the pricing methodology, such as the addition or removal of any component used in the calculation, or to respond to changes in regulatory requirements.

Any changes in interest rates or other charges arising from such reviews shall be applied prospectively for new credit facilities sanctioned from the date of the change. All such changes shall be communicated to the affected borrowers in accordance with Clause 14 below.

10. ANNUAL PERCENTAGE RATE

Annual Percentage Rate ("APR") means the annual cost of credit to the borrower, including the interest rate and all other charges associated with the credit facility. The APR shall be calculated on the net disbursed amount, using the Internal Rate of Return (IRR) approach on a reducing balance method. The APR shall be disclosed upfront to each borrower and included in the KFS, the sanction letter and any other document as may be required in accordance with the RBI Master Direction.

11. CEILING ON INTEREST RATE

The rate of interest shall not exceed 40% per annum. The Company shall ensure that interest rates are not usurious or arbitrary, and shall apply a reasonableness test when determining rates, consistent with the requirements of the RBI Responsible Business Conduct Directions, 2025.

In exceptional cases, higher pricing beyond the ceiling mentioned above may be allowed for a loan product, customer segment, geographical segment or any other segment of credit facilities, which shall be approved by the Board based on a recommendation from P&PC.

The Board shall approve such exceptions, with or without conditions, after considering the sourcing cost, cost of delivery & customer servicing, credit assessment and underwriting, credit risk premium required and the reasonableness of the margin.

12. PRICING OF CO-LENDING ARRANGEMENTS

In co-lending arrangements, entered into pursuant to the Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025, the

customer-facing pricing shall be communicated on a blended rate basis, representing the combined pricing of all participating regulated entities.

The blended interest rate shall be calculated as the weighted average of the individual interest rates charged by each participating regulated entity, weighted by their respective funding shares. The APR to be disclosed to the borrower shall be calculated on the basis of the blended interest rate, in accordance with the methodology described in Clause 10.

The blended rate of interest shall be subject to the Company's prescribed ceiling on interest rates, and shall be operated within the applicable range defined under this Policy, including any permissible deviations as approved.

13. COOLING OFF PERIOD

As specified under the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025, every borrower shall be provided a clear option to exit the loan during the cooling-off period by repaying the principal along with the proportionate APR, without imposing any penalty.

The cooling-off period shall be one (1) day from the date of disbursement of the loan. During this period, the borrower may cancel the loan by repaying the full disbursed principal along with interest calculated at the contracted rate for the period of actual utilisation. The Company may, in such cases, retain a reasonable one-time processing fee, if any, already charged to the borrower.

The cooling-off period and the associated terms shall be clearly disclosed to borrowers in the KFS and the loan agreement.

14. COMMUNICATIONS

a. **<u>At the Time of Loan Sanction:</u>**

   The rate of interest and other applicable charges shall be communicated to the customer at the time of loan sanction through the KFS. The interest and principal repayment schedule shall also be provided. Interest shall be charged only on the outstanding principal and only for the period during which the principal remains outstanding.

b. **<u>Change in Interest Rates / Charges:</u>**

   The borrower shall be notified in the vernacular language, or a language understood by them, of any changes in terms and conditions, including interest rates, service charges, prepayment charges, or disbursement schedule. All changes in interest rates and charges shall be applied only prospectively.

15. WAIVER/ REDUCTION OF CHARGES

Any waiver / reduction of charges including but not limited to principal amount, interest rates, processing fees shall be in accordance with the Board approved policies including the Compromise and Settlement Policy and subject to applicable regulatory guidelines.

The authority to approve waivers or reductions shall be as per the delegation matrix approved by the Board from time to time. Any revision in this delegation shall be approved by the Board.

16. DISCLOSURE ON THE WEBSITE

In compliance with the RBI Responsible Business Conduct Directions, 2025, the following disclosures shall be made on the Company's website and updated periodically:

- The indicative range of pricing (interest rates and processing fees) for each product and customer segment shall be disclosed and kept current;
- The quantum and reason for penal charges shall be clearly disclosed in the loan agreement and the KFS. All charges mentioned in the KFS shall be stated net of GST;
- This Policy (in its public/abridged form) shall be published on the Company's website; and
- Any changes in interest rates or applicable charges shall be updated on the website promptly upon the changes taking effect.

17. REVIEW OF THE POLICY

This Policy will be reviewed annually by the Board and upon any changes in the prescribed regulatory framework or upon specific instructions of the regulator, whichever is earlier.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.