**EVAM FINANCE PRIVATE LIMITED**

*India's Climate Finance Platform | RBI-Registered NBFC*

# INTEREST RATE POLICY

*Framework for Determination of Interest Rates on Advances & Related Charges*

## 1. Purpose & Background

This Interest Rate Policy ("Policy") is adopted by the Board of Evam Finance Private Limited ("Evam") in line with the Reserve Bank of India's guidelines requiring NBFCs to frame a Board-approved policy on the determination of interest rates, processing charges, and other charges. The Policy operationalises the pricing principles articulated in the Pricing Policy and the Fair Practices Code.

## 2. Regulatory Context

Evam Finance Private Limited ("Evam" or the "Company") is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). This Policy is framed and maintained in accordance with applicable provisions of the Companies Act, 2013, the Reserve Bank of India Act, 1934, and the RBI Master Directions and Circulars applicable to NBFCs, including — without limitation — the RBI Master Direction on Scale-Based Regulation for NBFCs (as amended), applicable Fair Practices and Conduct guidelines, and the Company's Board-approved governance framework.

- RBI Fair Practices Code for NBFCs — directing NBFCs to adopt an interest rate model, disclose the model and approach to gradation of risk, and avoid excessive rates;
- RBI Master Direction on Scale-Based Regulation for NBFCs;
- RBI Circular on Fair Lending Practice — Penal Charges in Loan Accounts, dated 18 August 2023;
- RBI Guidelines on Key Facts Statement (KFS) and Annual Percentage Rate (APR) disclosure;
- RBI Responsible Lending Conduct directions on release of movable / immovable property documents.

## 3. Interest Rate Philosophy

Evam's interest rate determination reflects:

1. Full recovery of the cost of funds, operating costs, risk-adjusted expected credit losses, and a fair risk-adjusted return on capital.
2. Risk differentiation — pricing varies with borrower credit risk, product structure, tenor, security, and concentration.
3. Transparency — the approach is published and fully disclosed in customer-facing documentation.
4. Fairness — rates shall not be excessive or usurious; regulatory ceilings (where applicable) shall be complied with.
5. Non-discrimination — no differentiation on grounds other than objective risk factors.

## 4. Interest Rate Model

### 4.1 Building Blocks

Interest rates offered by Evam on any credit facility shall be determined by aggregating various components. The sum of all the components shall constitute the indicative rate. Specific transaction

pricing may further adjust for relationship value, strategic importance, and competition, subject to minimum-return thresholds set by ALCO.

### 4.2 Evam Benchmark Rate (EBR) / Reference Rate

- Evam shall maintain an internal EBR to serve as the reference rate for floating-rate facilities; alternatively, an external benchmark (e.g., 3-month T-Bill) may be used where commercially preferable.
- The EBR shall be reviewed at least monthly by Treasury / ALCO and published internally. Changes in EBR shall be reflected in floating-rate facilities as per loan agreement terms.

### 4.3 Fixed vs Floating Rate

- Both fixed and floating rate options may be offered. The type of rate shall be clearly stated in the Sanction Letter, Loan Agreement, and KFS.
- For floating-rate loans sanctioned to individual borrowers for retail / consumer purposes, the borrower shall be offered the option to switch to a fixed rate (and vice versa) in accordance with RBI norms, subject to applicable switching charges disclosed in the sanction letter.
- Any change in benchmark / spread shall be communicated to the borrower in advance as per the loan agreement and RBI Fair Practices Code.

## 5. Gradation of Risk

Evam practises risk-based pricing. Different borrowers and products may be offered different rates based on objective risk factors, including:

- Internal Risk Grade (IRG) of the borrower — reflecting financial strength, management quality, sector outlook, track record, and promoter profile;
- Product type — term loan, project finance, working capital, supply chain / PO finance, leasing, mezzanine;
- Tenor — longer tenors generally attract higher margin;
- Security package — unsecured / partially secured facilities carry higher spreads than fully-secured facilities with strong collateral;
- Nature of exposure — construction vs operational, bullet vs amortising, concentration relative to the RAF;
- End-use — within or outside approved climate sectors;
- Cross-sell and overall relationship economics (where applicable, subject to minimum transaction return).

## 6. Processing Fees & Other Charges

The following ancillary charges may be levied (subject to disclosure in the KFS / Sanction Letter and loan agreement):

- Processing / Arrangement Fee — typically 0.25% – 2.00% of sanctioned amount, determined case-by-case based on transaction complexity;
- Documentation / Legal / Stamping Charges — actuals or indicative range;
- Valuation / Technical Diligence Fee — at actuals;
- Insurance premia on financed assets — at actuals;
- Commitment / Non-Utilisation Fee — as per product note, on undrawn portions of sanctioned limits;
- Foreclosure / Prepayment Charges — as per loan agreement; Nil for floating-rate loans to individuals for non-business purposes as per RBI norms;
- Cheque / ECS / NACH bounce charges — at reasonable, non-punitive levels;
- Annual review / covenant monitoring fees — where applicable for WC / revolving products.

## 7. Penal Charges

- Penal charges shall be levied on breach of material terms, in line with the Company's Policy on Penal Charges.
- Penal charges shall not be compounded or capitalised to principal.
- Details are published on the website and disclosed in the KFS, Sanction Letter, and Loan Agreement.

## 8. Annual Percentage Rate (APR) & Key Fact Statement (KFS)

- The KFS shall be issued to every retail / MSME borrower prior to agreement execution, containing annualised interest rate, APR, fees, repayment schedule, and contingent charges — in a clear, comparable format.
- APR shall include all recurring charges levied on the borrower over the life of the loan.
- Any revision in terms during sanction validity triggers a fresh KFS.

## 9. Disclosure & Transparency

- The Interest Rate Policy shall be displayed on Evam's website.
- Rates shall be communicated to the borrower in writing in the Sanction Letter, Loan Agreement, and KFS.
- Any revision in rates shall be communicated with adequate notice to the customer.
- Grievances relating to interest rates or charges shall be handled per the Grievance Redressal Policy.