

**INTEREST RATE POLICY**  
**of**  
**NAVI FINSERV LIMITED**



<b>Version No</b>	IRP/1/2025-26
<b>Date of original adoption of the Policy</b>	April 30, 2016
<b>Date of modification of Policy</b>	August 26, 2017 August 24, 2020 November 19, 2020 March 24, 2021 May 28, 2021 March 30, 2022 May 21, 2022 May 26, 2023 November 08, 2023 May 28, 2024 August 23, 2024 September 16, 2024 November 8, 2024 February 3, 2025 February 28, 2025 June 20, 2025
<b>Policy owner</b>	Head of Lending Business
<b>Approved by</b>	Board of Directors
<b>Periodicity of Review</b>	Annual

<b><u>Date of Review/ Amendment</u></b>	<b><u>Particulars</u></b>	<b><u>Next Review due</u></b>
November 8, 2024	Overall review of the Policy in line with the revised Interest Rate Model of the Company, approved by the Board on October 29, 2024	No later than November 7, 2025
February 3, 2025	Updation of references to GST pursuant to the Circular issued by the Ministry of Finance dated January 28, 2025.	No later than November 7, 2025
February 28, 2025	Changes to the Policy on account of introduction of the Corporate Loan product and introduction of processing fees for Personal Loans	No later than November 7, 2025
June 19, 2025	Changes to the Policy on account of the following: <ul style="list-style-type: none"> <li>i) to enable flexibility in providing BSP discount for attracting high-quality customers;</li> <li>ii) to cover exceptional scenarios in top-up loans;</li> </ul>	No later than November 7, 2025

	<p>iii) to enable pricing committee to determine the applicability of repo rate for floating rate loans;</p> <p>iv) To delete fixed rate reset in Home Loans</p>	
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## **INTEREST RATE POLICY OF NAVI FINSERV LIMITED**

### **SECTION I: BACKGROUND AND OBJECTIVE**

- 1.1 Navi Finserv Limited (the "**Company**"), is a Non-Banking Financial Company ("**NBFC**")-ICC-Middle Layer. The Company currently offers the following loan products to customers ("**Loan Products**"): (a) Personal Loans/ Cash Loans, (b) Home Loans and Loan Against Property, and (c) Corporate Loans.
- 1.2 In compliance with paragraph 45.11.1 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (the "**Scale Based Regulations**") issued by the Reserve Bank of India ("**RBI**"), the Company is required to formulate a Board approved interest rate model to determine the rate of interest to be charged to borrowers.
- 1.3 The objective of this Interest Rate Policy ("**Policy**") is to lay down the interest rate model of the Company outlining the various components of the interest rate model of the Company, as required in the Scale Based Regulations and other charges for different customer segments and to arrive at the final rates charged to customers.
- 1.4 Effective Date of the Policy: This Policy shall become effective from the date of being approved by the Board, *provided that* Section II and Section III hereof shall apply only with respect to fresh loans disbursed by the Company post approval of this Policy.

### **SECTION II: INTEREST RATE MODEL**

- 2.1 The Company offers the following Loan Products to customers: (a) Personal Loans/ Cash Loans ("**Personal Loans**"), (b) Home Loans and Loan Against Property ("**Housing Loans**") and (c) Corporate Loans
- 2.2 Types of Interest Rates
- (a) For Personal Loans, the Company offers customers a fixed rate of interest.

- (b) For Housing Loans, the Company offers customers the option of fixed or floating rates. The floating rates are linked to either an internal benchmark rate or an external benchmark rate.
- (c) For Corporate Loans, the Company offers customers a fixed rate of interest.

2.3 The interest rate offered to customers shall take into account the following component:

S. No.	Component	Description
1.	Cost of Funds / Weighted Average Borrowing Rate (" <b>WABR</b> ")	The Company raises funds through Term Loans, Non Convertible Debentures, Commercial Papers, Pass Through Certificates, etc. from various investors. The WABR of raising such funds is considered for this component. This component is calculated as the weighted average rate of interest payable on all outstanding borrowings of the Company.
2.	Negative Carry	The Company keeps a liquidity buffer in the form of investments into liquid funds to maintain regulatorily prescribed liquidity coverage ratio (" <b>LCR</b> ") as mandated under the Scale Based Regulations, and to manage liquidity risk. The Company also keeps funds in fixed deposits as security for its pass through certificate investments, thus bearing negative carry on those investments.
3.	Operating Costs	All operating costs associated with providing the Loan Products, including: <ul style="list-style-type: none"> <li>• Sourcing costs, customer onboarding costs, debt</li> </ul>

S. No.	Component	Description
		<p>management costs, employee expenses, tech costs, etc.</p> <ul style="list-style-type: none"> <li>• Costs incurred by the Company for raising funds in the form of processing fees, brokerage to source funds, rating fees, trusteeship fees, IPA commission on commercial papers, exchange listing fees, stamp duty, etc. This component might be different for each kind of borrowing.</li> <li>• The Company has ensured that the costs of providing those services which are separately recovered by way of service charges to customers do not form part of this component.</li> </ul>
4.	Tenor Premium	This cost arises from loan commitments with longer tenor. The tenor premium is uniform for all Loan Products for a given residual tenor.
5.	Credit Risk Premium	The credit risk premium charged to the customer representing the default risk arising from loan sanctioned will be arrived at based on an appropriate credit risk rating/scoring model and after taking into consideration customer relationship, expected losses, and collateral risk premium. The credit risk premium is therefore calculated to cover the potential credit loss risk. The judgment of the credit

S. No.	Component	Description
		costs of customer segments is compared against actual and anticipated performance on an ongoing basis. Details on risk gradation are covered in <a href="#">Section III</a> .
6.	Business Strategy Premium	The component shall be arrived at taking into consideration the business strategy, market competition, interest rate type (fixed vs floating) and loan product.
7.	Expected Return on Assets	The Company proposes to use expected return on assets corresponding to each Loan Product in its interest rate model, to ensure sustainability of its business operations, while ensuring the interest rates charged to customers are fair, reasonable and transparent.

*Note: All interest rate components are annualized*

## 2.4 **Personal Loan Business**

2.4.1 The Company charges a **fixed interest rate** to Personal Loan customers. This interest rate does not change during the tenure of the loan. The rate of interest charged to each customer is computed by adding the values of all seven components of the Interest Rate Model as mentioned below:

1. WABR
2. Negative Carry
3. Operating Costs
4. Tenor Premium
5. Credit Risk Premium
6. Business Strategy Premium
7. Expected Return on Assets

2.4.2 The final interest rate charged to a customer will be equal to:

<p style="text-align: center;"><b>Rate of Interest charged to the customer =</b></p> <p style="text-align: center;"><b>WABR + Negative Carry+ Operating Costs + Tenor Premium+ Credit Risk Premium + Business Strategy Premium+ Expected Return on Assets</b></p>
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2.4.3 WABR, Negative carry, Operation Costs, Expected Return on Assets, and Tenor premium remain constant and do not change on a customer basis. The credit risk premium will be determined on the basis of the risk gradation as outlined in the Section III. Further, concessions to the Business Strategy Premium may be offered to certain customer segments, as determined by the Pricing Committee, from time to time.

2.4.4 Based on the interest rate model, as aforesaid, the maximum interest rate charged to the customers for Personal Loans shall be as mentioned in Annexure 1.

2.4.5 To address the exceptional cases where a customer opts to exit the top-up personal loan during the defined cooling-off period with the intent of reverting to their original loan arrangement, the Company may allow the reinstatement of the original loan (upon re-payment of the top-up loan amount, and proportionate charges, if any), and in such cases where the customers have opted to revert to the original loan arrangement, the rate of interest applicable to the original loan shall continue to apply

## **2.5 Housing Loan Business**

2.5.1 The Company offers an option of floating rate or fixed rate to its customers.



## 1. **Floating Rate**

The Floating Rate of Interest charged to the customers is benchmarked against either Internal Benchmark Rate or External Benchmark Rate, as follows: (a) Internal Benchmark Rate, and (b) External Benchmark Rate (Repo Rate)

### A. **Internal Benchmark Rate**

- (a) **Internal Benchmark Rate:** Internal benchmark rate referred to as "Navi Finserv Prime Lending Rate" ("**NFL PLR**") is a sum of WABR, Negative Carry, Operating Costs, Expected Return on Assets and Tenor Premium.

**NFL PLR =**

**WABR+ Negative Carry + Operating Costs+ Tenor  
Premium+ Expected Return on Assets**

- (b) **Spread:** Spread is a sum of Credit Risk premium and Business Strategy Premium

**Rate of Interest charged to the customer =**

**NFL PLR + Spread**

### B. **External Benchmark Rate**

- (a) External Benchmark Rate: The external benchmark rate shall be the Repo rate.
- (b) Spread: Spread is a sum of Incremental WABR (over and above the external benchmark rate), Negative Carry, Operating Costs, Expected Return on Assets, Tenor Premium, Credit Risk premium and Business Strategy Premium

<p style="text-align: center;"><b>Rate of Interest charged to the customer =</b></p> <p style="text-align: center;"><b>External Repo Rate + Spread</b></p>
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Upon any change in the repo rate as published by the Reserve Bank of India (RBI), the Pricing Committee shall determine the date of making such change applicable to prospective borrowers, provided that such rate change shall be passed on to prospective borrowers no later than one month of such change.

C. Reset Frequency:

- (a) **NFL PLR** - Revised on a semi-annual basis and latest applicable rate would be published on the Company's website.
- (b) **External Benchmark Rate** - Revised on a quarterly basis as per revisions to the benchmark rate. The external benchmark rate (repo rate) will be first reset on the first day of the third subsequent month from

the month in which the loan is first disbursed (irrespective of the date of disbursement) and every three months thereafter. The revised repo rate used for the reset shall be the rate prevalent on the last day of the preceding month.

Upon any change in the benchmark rate, the customer's interest rate will be adjusted accordingly. The credit risk premium charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer or change in tenor premium. Customers will be notified in advance of the scheduled rate reset and offered the option to switch to a fixed-rate loan at that time. At each reset, customers may also choose to adjust the EMI, extend or shorten the loan term, or combine both options.

## **2. Fixed Rate**

The fixed interest rate shall be a sum of the components of the interest rate model, as follows: WABR, Negative Carry, Operating Costs, Expected Return on Assets, Tenor Premium, Credit Risk Premium and Business Strategy Premium.

**Rate of Interest charged to the customer =**

**WABR + Negative Carry+ Operating Costs + Tenor Premium+ Credit Risk Premium + Business Strategy Premium+ Expected Return on Assets**

Business Strategy Premium on Fixed Rate rate of interest is higher than floating rate of interest, with the consequence that the fixed

rate of interest for the same customer may be higher than the floating rate of interest for the same customer.

- 2.5.2 Based on the interest rate model, as aforesaid, the interest rate charged to the customers for Housing Loans shall be in the range as mentioned in Annexure 1.

## 2.6 Corporate Loan

- 2.6.1 The Company charges a **fixed interest rate** to Corporate Loan borrowers. This interest rate does not change during the tenure of the loan. The rate of interest charged to each customer is computed by adding the values of all seven components of the Interest Rate Model as mentioned below:

1. WABR
2. Negative Carry
3. Operating Costs
4. Tenor Premium
5. Credit Risk Premium
6. Business Strategy Premium
7. Expected Return on Assets

- 2.6.2 The final interest rate charged to a borrower will be equal to:

**Rate of Interest charged to the borrower =**

**WABR + Negative Carry+ Operating Costs + Tenor Premium+ Credit Risk Premium + Business Strategy Premium+ Expected Return on Assets**

- 2.6.3 Credit risk premium will vary based on the risk categorization of the borrower as outlined in Section III. The credit risk premium charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer.
- 2.6.4 Based on the interest rate model, as aforesaid, the maximum interest rate charged to the borrowers for Corporate Loans shall be as mentioned in Annexure 1.

### **SECTION III: RISK GRADATION PARAMETERS FOR CREDIT RISK PREMIUM**

- 3.1 The Credit Risk Premium for Personal and Home Loan Products is calculated for different customer segments and collateral types (as applicable) to cover the potential credit loss risk associated with them. It is assessed based on the following factors:
- Credit and default risk;
  - Historical performance of similar homogeneous clients;
  - Profile of the borrower;
  - Repayment track record of the borrower;
  - Credit Bureau Score;
  - Geographic location;
  - Location delinquency;
  - Customer Indebtedness (other existing loans); and
  - Regulatory stipulations, if applicable
- 3.2 Further, in case of Personal Loans, the Company shall also take into account the number of unsecured trading lines of the customers during a specified look back period. Further, for repeat customers of the Company, the Company shall offer a relationship discount based on the performance of the customer on the past loan.
- 3.3 For Housing Loans, in addition to the factors outlined in paragraph 3.1 above, the Company shall also charge credit risk premium on the basis of the loan to value ratio, and the kind of collateral.

- 3.4 For Corporate Loans, the Company shall charge credit risk premium on the basis of Internal Credit Rating Model (based on business and financial risk parameters) and External Credit Rating.

Further, Internal Credit Rating Model is developed based on the following factors :

- (a) Business Risk
- (b) Financial Risk
- (c) Market Perception
- (d) Ownership and Parentage

- 3.5 The above factors may be reviewed by the Company, from time to time. The credit risk premium charged to each customer shall be based on the aforesaid gradation of risk, to ensure risk based pricing.

#### **SECTION IV: OTHER FEES AND CHARGES**

4.1 **Penalty Charges :**

- (a) Personal Loans / Housing Loans: The Company will levy EMI Penalty Charges for any delay or default in making timely payments of EMI dues. The Company charges EMI Penalty Charges only of the portion of EMI under default. The details of all such charges are mentioned in Annexure II.
- (b) Corporate Loans : In case of Corporate Loans, the Company may charge penal charges for non-payment of any amount due and payable pursuant to the loan documents, non-compliance with the terms of the loan documents or other event of default, as follows:

Event	Penal charge
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Non-payment of any amount due and payable pursuant to the loan documents, on the relevant due date	Will be levied on the amount overdue (principal and interest) upto 5% per annum, for such period of default as stated above.
Non-compliance of any other terms of loan documents, including but not limited to breach of any covenant / undertaking / representation / warranty/ security creation	Will be levied on principal outstanding upto 5% per annum, for such period of non-compliance as stated above.
Any other event of default (howsoever described in the loan documents & sanction letter).	Will be levied on principal outstanding upto 5% per annum, for such period of non-compliance as stated above.

- (c) Applicable taxes, and other cess would be levied on such charges.
- (d) These charges are not in the nature of “penal interest” and are not added to the rate of interest. There is no capitalization of EMI penalty charges i.e no further interest is computed on such charges.

#### 4.2 **Processing Fees / Foreclosure charges:**

##### **(a) Personal Loan:**

The Company shall charge processing fee depending on the loan amount being disbursed to the customers.

Loan Amount	Processing Fees
INR 2,00,000 and above	Upto 2% of the Loan Amount, subject to a maximum of INR 10,000/-

INR10,000 - INR 1,99,000	Upto 4% of the Loan Amount, subject to a maximum of INR 4,000/-
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The processing fee mentioned in the above structure does not include GST of 18% which will be charged over and above the processing fee mentioned above.

The customer has the option to foreclose or make part prepayment anytime during the tenure of the loan.

**(b) Home Loan:**

The Company does not charge any processing fees or foreclosure / part payment charges for its Home Loan Product. The customer has the option to foreclose or make part prepayment anytime during the tenure of the loan.

**(c) Corporate Loan:**

<b>Processing Fees</b>	Upto 2% of the Loan Amount
<b>Pre-payment charges</b>	Upto 2% of the facility pre-paid, in case of voluntary pre-payment
<b>Documentation and Due Diligence Charges</b>	Upto INR 1 lakh per loan

The fees/ charges mentioned in the above structure does not include GST of 18% which will be charged over and above the fees/ charges mentioned above.

**SECTION V: ADHERENCE TO FAIR PRACTICES CODE**

The Company strictly adheres to all applicable regulations, and ensures that its policies and practices align with regulatory expectations and are designed to ensure transparency, fairness and full disclosure to customers: In this regard, the Company



ensures:

- 5.1 **Full disclosure:** The rate of interest and approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. All penalties charged to customers for late repayment shall be outlined in bold in the loan agreement. Further, the quantum and reason for penalty charges shall be clearly disclosed by the Company to customers in the loan agreement and in the Key Facts Statement. Whenever reminders for non-compliance of material terms and conditions of the loan agreement are sent to customers, EMI penalty charges shall be communicated.
- 5.2 **Annualized Rate of interest:** The rate of interest made available to customers is the annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- 5.3 **Interest Levy Date:** The Company charges interest on all its Loan Products from the actual date of disbursement to the customer, not from the loan sanction date, agreement signing, or cheque issuance. In the case of loans being disbursed by cheque /DD, interest shall be charged from the date of handover of cheque /DD. This ensures customers are billed only for the period in which they have access to the funds.
- 5.4 **Pro-Rated Interest Calculations:** Interest on all Loan Products is calculated on a pro-rata basis for any partial-month loan disbursal or repayment, ensuring that interest is charged only for the period the loan is active. Interest is only charged on the principal outstanding.
- 5.5 **Loan Terms and Disclosure:** All loan terms, including the loan amount, annualized Rate of Interest, EMI Penalty Charges, and other relevant charges, are clearly detailed in the Sanction Letter, Key Fact Statement (KFS), and Loan Agreement. This ensures complete transparency on costs associated with the loan.

- 5.6 **Communication of Changes in Rates or Charges:** Any updates to interest rates or Penalty Charges for existing customers are communicated promptly through electronic or other forms of communication, keeping customers fully informed. These communications are done in a language understood by the customer.
- 5.7 **Prospective Changes:** Any changes in interest rates or charges are applied only on a prospective basis, safeguarding customers from retroactive alterations.
- 5.8 **Reset of Floating interest rate for Housing Loans:**
- (a) At the time of sanction, the Company clearly communicates to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above is communicated to the borrower well in advance, through notifications sent by SMS, or such other means decided by the Company, from time to time.
  - (b) At the time of reset of interest rates, the Company provides borrowers the option to switch over to a fixed rate. The customer will be allowed a maximum number of three switches between floating and fixed interest types during the tenure of the loan.
  - (c) At the time of reset of interest rates, the borrowers are also be given the choice to opt for (i) enhancement in EMI, or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan.
  - (d) The Company does not charge any fee for switching between floating and fixed interest types during the tenure of the loan.
  - (e) The Company ensures that the elongation of tenor in case of floating rate loan does not result in negative amortization<sup>1</sup>.
  - (f) The Company shares with borrowers a statement at the end of each quarter which enumerates the rate of interest / annual percentage rate for the entire tenor of the loan.

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<sup>1</sup> Negative amortization in home loans occurs when the loan payment made by the borrower is less than the interest charged for that period. As a result, the unpaid interest gets added to the principal balance, increasing the total loan balance over time.

## **SECTION VI: REVIEW OR AMENDMENT OF THE POLICY**

- 6.1 The Policy shall be amended or modified with the approval of the Board. The Policy shall be reviewed by the Board on an annual basis.
- 6.2 Without prejudice to the foregoing, in the event the Policy requires to be amended to take into account any changes (whether on account of repeal of any existing law, or otherwise) in any existing regulation, law or policy (or any clarification with respect to any existing regulation, law or policy), the Managing Director of the Company may approve such changes to the Policy as may be required to comply with such changes, or clarifications. Any such changes approved by the Managing Director shall be placed before the Board, in its immediately succeeding meeting, for ratification by the Board.
- 6.3 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.

### **Annexure 1 - Maximum Rate of Interest for each Loan Product**

<b>Loan Product</b>	<b>Maximum Interest Rate</b>
Personal Loans/ Cash Loans	Upto 26%
Home Loans	Upto 13%
Top-Up Home Loans	Upto 13%
Loan Against Property	Upto 14%
Corporate Loans	Upto 14%

**ANNEXURE 2**  
**EMI PENALTY CHARGES FOR PERSONAL LOANS AND HOUSING LOANS**

**Personal Loans**

In case of EMI due generated post **August 30, 2024**, a single EMI Penalty Charge shall apply in case of late payment:

EMI Penalty Charge	
Till DPD <sup>2</sup> 7	Zero EMI Penalty Charge
On DPD 8	5% of the amount of EMI overdue
On DPD 15	Additional 5% of the amount of EMI overdue
On DPD 22	Additional 5% of amount of EMI overdue
<b><u>Note:</u></b> Sum of all penalty charges are rounded down to nearest INR 50 for overdue EMI amount less than INR 2000 and rounded down to nearest INR 100 for overdue EMI amount equal to or higher than INR 2000 and are inclusive of applicable taxes	

In case of EMI due generated before August 30, 2024, and on April 6, 2023 or later, a single EMI Penalty Charge shall apply in case of late payment:

EMI Penalty Charge	
On DPD 1	10% of overdue EMI
On DPD 8	Additional 5% of the amount of EMI overdue
On DPD 15	Additional 5% of the amount of EMI overdue
On DPD 22	Additional 5% of amount of EMI overdue

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<sup>2</sup> Days Past Due.

**Note:** Sum of all penalty charges are rounded down to nearest INR 50 for overdue EMI amount less than INR 1,500 and rounded down to nearest INR 100 for overdue EMI amount equal to or higher than INR 1,500 and are inclusive of applicable taxes

In case of EMI due is generated before April 6, 2023 then following charges will be applicable:

<b>Bounce Fee</b>	250 + applicable taxes, per bounce
<b>Late Fee</b>	200 + applicable taxes per 7 day DPD
<b>Penal Interest</b>	Loan ROI + 2% p.a. on overdue EMI for the overdue period

### **Housing Loans and Loan Against Property**

In case of EMI due generated post **November 15, 2024**, a single EMI Penalty Charge shall apply in case of late payment:

<b>EMI Penalty Charge</b>	
Till DPD 7	Zero EMI Penalty Charge
On DPD 8	0.5% of the amount of EMI overdue
On DPD 15	Additional 0.5% of the amount of EMI overdue
On DPD 22	Additional 0.5% of amount of EMI overdue
<b>Note:</b> Sum of all penalty charges are rounded down to nearest INR 100 and are inclusive of any taxes	

In case of EMI due is generated before November 15, 2024, then following charges will be applicable:

Fee Type	Time Period	Amount
<b>Bounce Fees</b>	Per Bounce	INR 1000 + any applicable taxes
<b>EMI Penalty Charges</b>	For the delay Period (from the date EMI is due to date EMI is paid)	24% per annum of the overdue EMI amount for the delay period (inclusive of applicable taxes)