



**APAC FINANCIAL SERVICES PRIVATE LIMITED (APAC FS)**

**INTEREST RATE POLICY**

**Approval Month**

January 2026

**Review Calendar**

Scheduled Board review in January of each year, unless in the opinion of the Managing Director or Policy Owner a review of the policy is needed sooner

**Policy Owner**

Name	Designation	Date
Prashant Hegde	Product Head	

**Reviewed by**

Name	Designation	Date
Sankar Sastri	CEO	
K Selvaraj	Chief Compliance Officer and General Counsel	
Vivekanand R	CFO	
Arvind Pandey	Financial Controller	
Nikhil Bandi	Chief Technology, Digital & Operations Officer	
S Vijay	Chief Risk Officer	

**Approved by the Board of Directors**

Name	Designation	Date
Gunit Chadha	Managing Director	
Shankar Dey	Executive Director	

**Checklist**

Sr No.	Action items for Review	Responsibility	Frequency
1	APACFS PLR to be reviewed during the ALRPCO meeting & same to be minuted and communicated to respective teams.	Financial Controller	Quarterly
2	APACFS PLR & relevant sections of this policy to be updated on APACFS website & to be displayed at APACFS branches.	Policy Owner	Periodically
3	Facility documents to be in compliance with this policy	Product Heads in coordination with Chief Compliance Officer and General Counsel	Periodically

## Table of Contents

1. Introduction .....	4
2. Interest Rate Model.....	4
3. Reset of Floating Rate of Interest .....	5
4. Communication Framework.....	6
5. Review/ Modifications .....	6

## 1. Introduction

- The Reserve Bank of India through Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (“RBI Direction”) dated November 28, 2025, as updated from time to time:
  - Has advised NBFCs to adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.
  - The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
  - The rate of interest must be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- In compliance with the requirements of the RBI Regulations mentioned above APACFS has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and risk gradation approach.

## 2. Interest Rate Model

### 2.1. Rate of Interest

The annualized Rate of Interest (“ROI”) to be charged to customers, at the time of sanctioning loans, shall be in the range as mentioned below:

Loan Type	Rate of Interest (ROI) p.a
Loans against Property & Housing Loans	10% (floor) to 25% (Cap)
Unsecured loan to existing customers	25%

### 2.2. Interest rates offered on loans could be on fixed rate or floating rate basis.

In case of floating interest rates, the interest rates will be benchmarked as under:

- The interest rates charged by APACFS shall be linked with the **APACFS Prime Lending Rate (APACFS PLR)** or any other benchmark as may be agreed with the customer. APACFS PLR shall be determined from time to time by the **ALRPCO** (Asset Liability Management and Resource Planning Committee) based on cost of borrowing, operating costs, liquidity, interest rate trend and return on equity thresholds.
- Spread (Plus or Minus) over **APACFS PLR** will be determined based on nature and duration of loan, nature of security, credit worthiness, risk perception and competition.
- Any revision in interest would be with prospective effect and the same shall be communicated to the borrowers.
- In case of staggered disbursements, the rates of interest would be subject to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by APACFS.
- APACFS PLR shall be prescribed by the ALRPCO and changed from time to time based on its assessment. Currently the APACFS PLR is set at 18.5%, which may be updated based on decisions of the ALRPCO

### 2.3. Rate of Interest Approach

APACFS provides mostly secured loan products to primarily micro & small enterprises (including self-employed) & informal customer segments (including new to credit) in rural and semi-urban markets. Product suitability, including Loan Tenor and Loan Amount has been designed basis customer need, income assessment to determine the capacity of the customer to pay the Equated Monthly Installments (EMI), collateral security (LTV) and expected serviceability (Fixed Obligation to Income Ratio). Interest rates are designed to cover APACFS expected cost of borrowings, credit costs and operating costs to

originate, collect & service such customer segments, resulting in fair risk-adjusted returns to stakeholders for sustainable business continuity.

**a) Cost of Borrowings:** APACFS borrows from a mix of Banks and NBFCs which is being further diversified to include ECB, Securitization/Direct Assignment etc. APACFS cost of borrowings have a strong correlation with APACFS ratings by Rating Agencies, tenor of the borrowings and covenants agreed with the lenders.

**b) Operating Costs:** APACFS operating cost for serving its customer segment is relatively higher due to some of the below unique characteristics

- Our customer segment is spread out in rural and semi urban locations. Loan origination requires multiple physical visits to the customer location for proper income assessment & collateral verification etc.
- Adequate system and process control is necessary which entails investment into resilient technology platforms and strong operating processes
- Robust regulatory framework, 3 lines of defense and quality customer service is important to safeguard the interests of the customers.

**c) Credit Costs** are relatively higher in our customer segment due to the informal nature of the business, lower net worth of the customers and local market dependency which puts pressure on cashflow in emergency situations and leading to delinquencies. Risk premium, in-built into the rate of interest, is a function of type of customer profile, size of the loan amount, customer business/employment vintage, collateral security and credit bureau details. Smaller businesses with modest cashflow, which require lower loan amounts are at relatively higher risk compared to larger businesses with strong cashflow which require typically higher loan amounts. While credit costs (including risk premium) do impact the overall ROI % charged to customers, the dominant contribution to the ROI% are APACFS cost of borrowing and operating costs

2.4 Loan amount, annualized rate of interest, tenure of loan and the apportionment of installments will be communicated to the customers in the sanction letters and Key Fact Statements

### 3. Reset of Floating Rate of Interest

In terms of requirement of RBI Direction below is the policy framework for loans offered on floating rate of interest

1. This section is applicable for all personal loans. As per RBI definition “Personal Loans” means loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).
2. At the time of sanction, APACFS shall clearly communicate to its 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 shall be communicated to the borrower immediately through appropriate channels.
3. For all the existing borrowers who have taken loan floating rate basis, APAC FS shall at the time of reset of interest rates provide the option to its borrowers to switch over to a fixed rate. During the tenure of loan, a borrower is allowed maximum one time in a financial year for the switch.
4. The following options shall be given to the borrower in the event of reset of floating rate of interest:
  - a. Enhancement/ reduction in EMI;
  - b. Elongation/ contraction of tenor;
  - c. Combination of both options;
  - d. Prepayment in part;

- e. Prepayment in full;
- f. Switching from floating rate to fixed rate.

The Borrower shall also be informed that if the borrower does not exercise any option/revert, then default option of elongation of the loan tenor would be automatically applicable.

- 5. APACFS shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.
- 6. APACFS shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. APAC shall ensure that the statements are simple and easily understood by the borrower.
- 7. APACFS shall send all existing borrowers communication, through appropriate channels, intimating the options available to them.

#### **4. Communication Framework**

- a) APACFS will communicate the rate of interest to its customers at the time of sanction/ availing of the loan through the sanction letter and Key Fact Statement
- b) Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and schedule of charges for existing customers would be uploaded on the web site of the Company.
- c) Changes in the interest rates and schedule of charges for existing customers may be communicated to them through any modes of communication such as website updation and email or, letter or, SMS or whatsapp etc. as may be permissible by regulations or applicable laws.

#### **5. Review/ Modifications**

This policy shall be reviewed on a yearly basis in November of each year. However, depending on requirements, the reviews may be done at shorter intervals. Any changes in the policy except as required by legal and regulatory changes shall be made with the approval of the Board.

*- End -*