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OXYZO FINANCIAL SERVICES LIMITED
(FORMERLY KNOWN AS OXYZO FINANCIAL SERVICES PRIVATE LIMITED)
(COMPANY OR OXYZO)

INTEREST RATE POLICY

REVIEW & APPROVING AUTHORITY

Authority	Designation
Prepared By	Credit Operations Department
Reviewed By	Asset Liability Committee
Approved By	Board of Directors

VERSION HISTORY

Version	Issue Date	Brief Description
1.0	23-10-2018	Creation
2.0	16-09-2019	Changes made pursuant to company status being changed as NDSI in June 2019
3.0	20-04-2021	Changes in Interest rate and Gradation of Risk and some other cosmetic changes
3.1	15.02.2023	Reviewed by Operational Committee
3.2	23.05.2023	Noted by Board of Directors
3.3	09.11.2023	Approved by the Board of Directors
4.0	12.08.2026	Reviewed and approved by Board of Directors



1. Background and Purpose:

2. The Reserve Bank of India (RBI) vide its circular No. DNBS.PD/CC.No.95 /03.05.002 /200607 dated May 24, 2007 had advised the Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In continuation of the above circular, the RBI vide its circular DNBS.204/CGM (ASR)-2009 dated January 2, 2009 has issued the following directions to NBFCs followed by latest circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023:

The Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate 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 / Key Fact Statement (KFS).

In compliance with the requirements of the RBI Regulations mentioned above, Oxyzo Financial Services Limited has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and risk gradation approach. This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions.

Considering that it is quite some time since the Interest Rate Policy, per se, has been reviewed and approved by the Board of Directors of the Company, we have revisited the existing Interest Rate Policy and made suitable changes to the same. The Revised Policy is being placed before the Board of Directors for review and approval.

3. Interest Rate Determination Methodology

The Asset Liability Committee (ALCO), after due consideration of various financial, risk-based, and operational factors, determines the interest rates to be charged to customers. The following key components are taken into account in this process:

i. Weighted Average Cost of Funds/Capital

The Company mobilizes funds through various instruments such as bank term loans, non-convertible debentures (NCDs), commercial papers, and subordinated debt, among others. In addition to debt financing, the Company's capital structure also includes equity, and the cost of equity is considered while computing the Weighted Average Cost of Capital (WACC).

The weighted average cost of borrowings is calculated after factoring in:

- The tenure of borrowings
- Prevailing market liquidity
- Refinancing options
- Incidental costs related to raising and servicing the funds

Both the cost of debt and the expected return on equity capital are integral to arriving at the overall cost of funds.



ii. Negative Carry on Liquidity Investments

To manage liquidity risk, the Company maintains a liquidity buffer by investing in liquid instruments called HQLAs as defined in the liquidity Risk Management policy. The yield on these investments is typically lower than the borrowing cost, resulting in a negative carry, which is accounted for while determining the interest rate.

iii. Operating Costs

Operating expenses include all fixed and variable costs required to run the business efficiently. These include, but are not limited to:

- Employee costs
- Branch-level operational expenses
- Sales and marketing costs
- Technology and digital infrastructure expenses
- Costs related to sourcing, customer service, and collections

These costs may proportionately be allocated across products and incorporated into pricing decisions.

iv. ALM Mismatch Cost

The Company raises funds through both short-term and long-term borrowings. In order to comply with regulatory Asset Liability Management (ALM) norms, it must manage gaps within the prescribed tolerance limits. These gaps, along with customer prepayment behavior, can result in additional costs, which are factored into pricing.

v. Credit/Default Risk Premium

A risk-based pricing approach is followed, wherein the credit and default risk premium is computed on a case-by-case basis based on:

- Customer creditworthiness and repayment capacity
- Nature and value of collateral (if any)
- Customer's overall risk profile
- Industry-specific risk factors

This ensures that the pricing reflects the underlying credit risk associated with each customer.

vi. Expected Return on Assets (ROA)

The Company aims to achieve an expected ROA of 3-4% under normal business conditions. However, this range may vary depending on strategic business considerations or exceptional market scenarios. This return expectation is built into the pricing to ensure sustainability and profitability.

4. Interest Rate Model and Gradation of Risk

Interest rates offered could be on fixed rate or floating rate basis



Lending Assets/Sector	Range of Interest
Unsecured Purchase Financing	15% to 21%
Secured Purchase Financing	13% to 18%
Machinery Loans	11% to 16%
Business Loans	16% to 22%
Loan Against Property	12% to 16%
Co-Lending/ Channel Partner	20% to 35%
Other Loans	15% to 35%

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➤ **Fixed Rates**

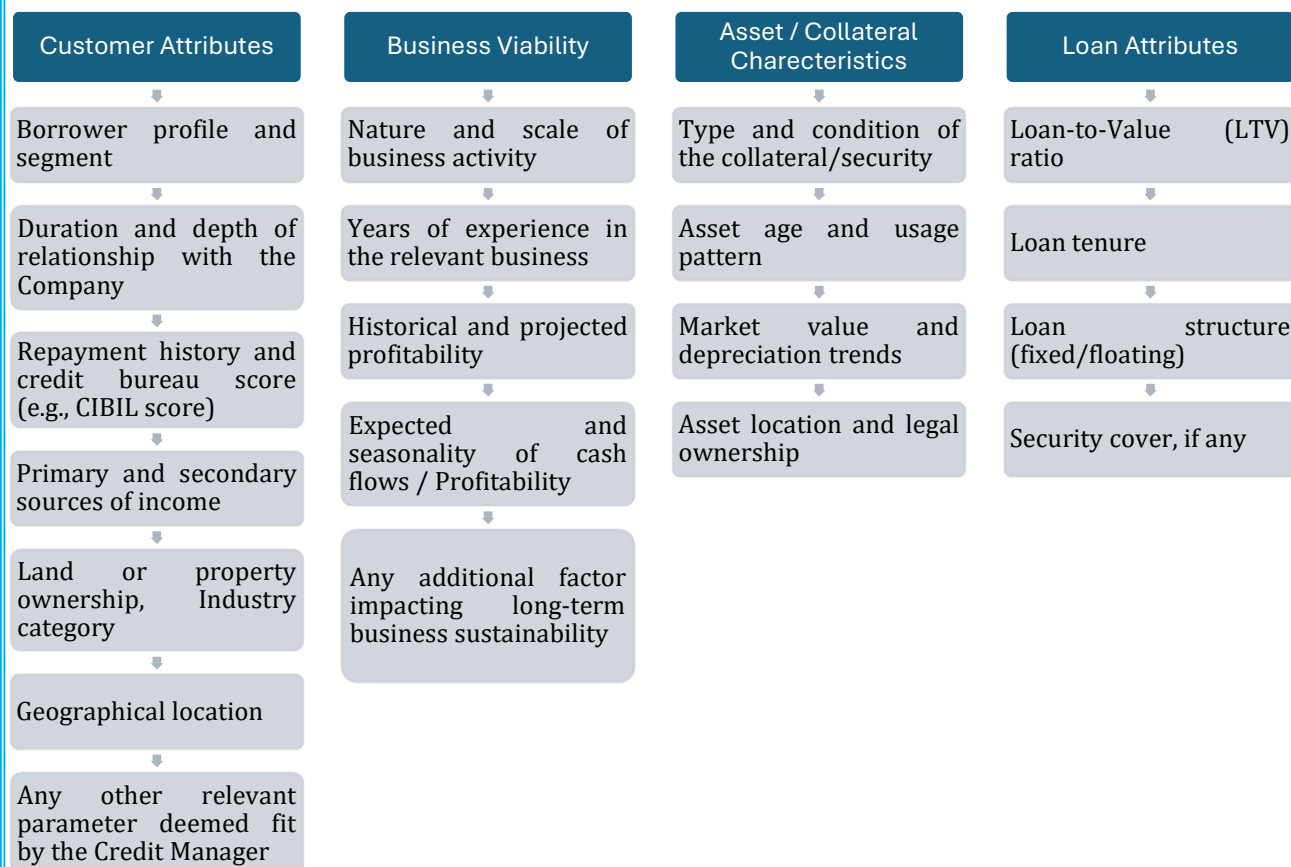
At present the annualised rate of Interest* to be charged to customers, at the time of sanctioning loans, shall be in the range as mentioned below (plus processing fees):

➤ **Variable / Floating Interest Rate**

Variable interest rate, over and above the spread considering OBLR (Oxyzo base lending rate) on a case-to-case basis

On a case to case basis, the Commercial committee of the company may approve loans below the threshold limit of the above mentioned interest rate range

- The Company adopts a structured and scientific approach to risk gradation for each client/prospective borrower, recognizing that each customer presents a unique credit profile. This risk-based approach helps in determining an appropriate pricing strategy based on the borrower's risk attributes.
- A differential pricing model is applied, where a cost premium or discount is added to the base lending rate, depending on the assessed credit risk. The final lending rate is determined based on a comprehensive evaluation of the following key parameters:



The above-mentioned key evaluation parameters serve as the primary foundation for pricing decisions. However, these parameters are not exhaustive. The Committee reserves the right to consider additional qualitative or quantitative factors based on the specific nature of the borrower, industry dynamics, market conditions or any emerging risks.

This flexibility ensures that the lending rate determination remains both prudent and tailored, reflecting a comprehensive understanding of the borrower's overall credit profile. Such additional considerations may include, but are not limited to, borrower conduct, regulatory developments, past repayment behavior, concentration risks and strategic importance to the portfolio.

- In addition to the above, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends etc.
- The rate of interest for the same product and tenor availed during same period by different borrowers need not be standardized.
- The interest rates would be offered on fixed or floating basis. In the case of Floating interest rates, the reference rates, viz. 3 months floating, 6 months floating and 12 months floating Rate would be reviewed on a periodic basis and revised interest rates will be intimated to the customers.



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- The OBLR reference rates applicable would be hosted and updated on the company's web site from time to time.
- The company can levy spread or offer discount over and above the floating rates to the clients on case to case basis the risk profile, category, Industry segment and respective negotiations
- Intimation of change of interest would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest would be with prospective effect.
- In case of staggered disbursements, the rate of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursement or as may be decided by the Company.

Loan amount, annualised rate of interest, tenure of loan and the apportionment of instalments will be communicated to the customer in the sanction letter/ KFS.

Besides normal Interest, Oxyzo may levy additional interest for adhoc facilities, penal charges/default charges for any delay or default in making payments of any dues. The details of penal charges will be mentioned in bold in the loan agreement / sanction letter / KFS.

Besides interest, other financial charges like processing charges, service charge, bounce charges, pre-payment charges, commitment fees, charges on various other services like issuing no due certificates, no objection certificate, letters ceding charge on assets/ security etc. would be levied by Oxyzo wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

Claims for refund or waiver of charges/ penal charges/additional charges/interest is the sole and absolute discretion of Oxyzo to deal with such requests, if any.

5. Charging of Interest Rate

In line with RBI directions and to ensure transparency and fairness in the charging of interest, the following practices shall be adopted by Oxyzo:

- a. **Interest Charging Commencement Date**
Oxyzo shall ensure that interest is not charged from the date of sanction of loan or the date of execution of the loan agreement. Interest shall be charged only from the date of actual disbursement of the funds to the customer's account.
- b. **Pro-Rata Interest for Partial Periods**
In cases where disbursal or repayment of loans occurs during the course of the month, Oxyzo shall charge interest only for the actual period for which the loan was outstanding and not for the entire month.
- c. **Avoidance of Advance Installment**
Oxyzo shall not follow the practice of collecting one or more installments in advance while reckoning the full loan amount for charging interest.

6. Review / Modifications

The Asset Liability Management Committee of the company is authorized to make modifications in the OBLR if required from time to time and decide the interest to be charged for each product

This policy shall be reviewed on periodic basis as and when statutory requirement or management decision and 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



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be made with the approval of the Board/ Management committee.

7. Content on the website

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Company website.
