

## **POLICY ON DETERMINATION OF INTEREST RATES**

**Falcon Trading Private Limited**

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### **1. Background**

The Reserve Bank of India (RBI), through its *Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023* (as amended from time to time), mandates all Non-Banking Financial Companies (NBFCs) to disclose on their websites the applicable interest rates and the methodology for risk gradation.

In compliance with the above directive, the Board of Directors of Falcon Trading Private Limited (“the Company”) hereby formulates and adopts the following policy for determining interest rates.

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### **2. Determination of Interest Rates**

The interest rate applicable to a borrower shall be determined after considering, inter alia, the following factors:

- Loan tenor
  - Internal and external cost of funds
  - Treasury bill rates and the sovereign yield curve
  - Spread between sovereign securities and AAA-rated corporate bonds
  - Prevailing Prime Lending Rates (PLR) of major commercial banks
  - Borrower’s risk profile
  - Market conditions relating to credit risk premium / default premium, including Credit Default Swap (CDS) spreads
  - Internal cost of operations
  - Interest rates offered by peer NBFCs
  - Any other relevant factor specific to the transaction
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### **3. Risk Profiling of Borrowers**

The borrower’s risk profile shall be assessed based on the following parameters:

- **Management Risk**
- **Business Risk**
- **Financial Risk**
- **Industry Risk**
- **Collateral Risk**

Further evaluation shall include:

- Nature of the industry
- Profitability track record of the company/group for the preceding three years
- Projected profitability during the loan tenure
- Security cover available
- Profile and market reputation of the borrower, promoter, or principal shareholder
- History of defaults with other lenders and the manner of resolution
- Background of the promoter/principal shareholder
- Any other relevant factor

**Note:** Interest rates for the same product and tenor availed during the same period by different customers may vary within a defined range, depending on the above factors.

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#### **4. Board Approval**

The Board shall determine the applicable interest rate for each borrower after due assessment of the above parameters.

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#### **5. EMI-Based Floating Rate Personal Loans**

For floating rate personal loans repayable in Equated Monthly Instalments (EMIs):

- At the time of sanction, the Company shall clearly inform borrowers about the potential impact of changes in the benchmark interest rate on EMI and/or loan tenor. Any subsequent change in EMI and/or tenor shall be promptly communicated through appropriate channels.
- At the time of interest rate reset, borrowers shall be given the option to switch to a fixed rate. The sanction letter shall specify the number of permissible switches during the loan tenure.
- Borrowers may be offered the choice to:
  - a) Increase EMI, extend tenor, or adopt a combination of both; and/or
  - b) Prepay, in part or in full, at any time during the loan tenure. Foreclosure/prepayment charges shall be levied in accordance with applicable regulations.
- All applicable charges for switching from floating to fixed rates, as well as other service/administrative costs, shall be disclosed in the sanction letter and updated as necessary.
- The Company shall ensure that any extension of tenor does not result in negative amortization.

- A quarterly statement shall be provided to borrowers, detailing at a minimum:
  - Principal and interest recovered to date
  - Current EMI amount
  - Number of EMIs remaining
  - Annualized Rate of Interest / Annual Percentage Rate (APR) for the entire loan tenure

The statement shall be presented in a clear and easily understandable format.

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## 6. Additional Charges

In addition to normal interest, the Company may levy:

- Penal charges (as per the Company's Penal Charges Policy)
- Processing fees
- Foreclosure charges
- Commitment fees
- Any other applicable charges
- All such charges shall be clearly specified in the loan/borrowing documentation.
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- **7. Communication of Policy**
- The Board shall ensure that borrowers are made aware of this policy prior to loan disbursement.
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- **8. Review of Policy**
- This policy shall be reviewed annually or earlier, if deemed necessary.
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- **Annexure – Penal Charges**

<b>Nature of Default / Non-Compliance</b>	<b>Penal Charges</b>
Default in repayment of loan instalments	4% per month on the overdue amount, plus applicable taxes
Non-compliance with agreed terms and conditions as per the Sanction Letter	4% per month on the outstanding loan facility amount, plus applicable taxes