Interest Rate Model Policy

Vivifi India Finance Pvt Ltd.

Version History:

Version #	Particulars	Date	Approved by
1.0	Updated the reference to the Master Direction of the Reserve Bank of India (RBI) in the Introduction section.	2018-08-04	Board of Directors
1.1	Updated the reference to the website publishing language	2018-08-04	Board of Directors
1.2	Updated reference to CICLU	2023-02-14	Board of Directors
1.3	Scale Based Regulations Update	2024-01-25	Board of Directors
1.4	Periodic Update	2024-10-25	Board of Directors
1.5	Update to Pricing Range	2025-05-19	Board of Directors
1.6	Product and Pricing Updates	2025-08-14	Board of Directors

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1. Introduction:

Interest rates charged by NBFCs are not regulated by the Reserve Bank. However, the guidelines on the Fair Practices Code issued to various Regulated Entities (REs) since 2003, *inter alia*, advocate fairness and transparency in charging of interest by the lenders, while providing adequate freedom to Regulated Entities as regards their loan pricing policy. Keeping in view the fact that rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice, the Board of NBFCs have been entrusted with the task of framing Interest Rate Model Policy.

1.1. Introduction of Scale Based Regulation:

Reserve Bank of India introduced scale-based regulation for different categories of NBFCs vide **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Updated as on July 17, 2025).** With the issue of these Directions, the fair practices codes issued earlier were subsumed in Chapter VII (Fair Practices Code) of the Directions which*, inter alia,* assigned specific role to the Boards of NBFCs on interest rate model as follows**:**

1.1.1. Boards of NBFCs shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

1.1.2. For determining the rate of interest to be charged for loans and advances, the Board shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium.

Transparency and Disclosure:

1.1.3. The rate of interest and the 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.

1.1.4. The annualized rates of interest shall be made available on the website and updated whenever there are any changes to the same.

1.1.5. Interest rates shall be communicated to the customers in a fair and transparent manner at the time of sanction / availing of the loan.

1.1.6. Any change in the applicable interest rates and / or charges for existing customers shall be communicated in a transparent manner through acceptable modes of communication such as SMS, email, etc.

1.2. Other Important Directions / Guidelines issued by RBI:

1. Guidelines on Digital Lending (RBI /2022-23/ 111 DOR.CRE.REC. 66/ 21.07.001/ 2022-23 dated September 02, 2022)
2. Fair Practices Code for Lenders – Charging of Interest dated April 29, 2024
3. Key Facts Statement (KFS) for Loans & Advances dated April 15, 2024

2. Objective of the Policy:

2.1. To arrive at the pricing of loan to be charged for different types of customer segments and different types of loans based on relevant factors such as, cost of funds, risk premium, compensation for expected losses, margin, and other cost, viz., origination cost, servicing cost etc. as may be specified by the Board in consonance with the spirit of fairness and transparency while dealing with customers and in a manner as to ensure long-term sustainability of business by taking into account the interests of all stakeholders.

2.2. To decide on the principles and approach of charging the applicable interest and fees to arrive at the final rates charged to customers.

3. Review of the Policy:

The Interest Rate Model Policy shall be reviewed once a year or in between, as applicable, due to changes required in the model / policy.

4. Fair Practices Code:

The Company strictly adheres to Reserve Bank of India (RBI) Directions / Guidelines on Fair Practices Code as applicable.

5. Present Policy:

In compliance with the provisions of the Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('SBR Master Directions'). NBFCs are required to adopt an interest rate model considering various relevant factors and determine the rate of interest to be charged for loans and advances. Accordingly, Vivifi India Finance Private Limited ("Vivifi" or "Company") has framed the following Interest Rate Policy ("Policy").

6. Definitions:

Key definitions adopted for the purpose of this policy:

Term	Meaning
Annualized Percentage Rate or APR	The annual cost of borrowing to the borrower, which includes the interest rate, and all other charges (other than statutory charges) associated with the Credit Facility and collected by the Company.
Board	Means the Board of Directors of the Company.
Company	Means Vivifi India Finance Pvt Ltd. (Vivifi)
Credit Facility	Refers to the loan or credit sanctioned and extended to the borrower as per the terms and conditions of the loan agreement.
Policy	Refers to the Interest Rate Model Policy of the Company.
SBR Master Directions	Shall refer to Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as updated / amended from time to time)
Interest	Total interest charged to the customer; computed on a daily basis starting from the date of actual disbursement of funds to the customer and rounded off to the nearest rupee. The interest is expressed as an annualized percentage in all loan documentation and is not compounded.
Equated Periodic Instalment (EPI)	An equated or fixed amount of repayment, consisting of both the principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals; and which results in complete amortization of the loan. EPIs at monthly intervals are called EMIs.

7. Rate of Interest (Pricing) Model:

Vivifi caters to the growing needs of India's large underserved and unserved market. These segments are usually not the core target segment for commercial banks and traditional lending institutions because of their low or no credit history and their peculiar loan requirements.

Customer Profile – The company's customers typically have lower income in comparison to the customers served by banks and other traditional Financial Institutions and often have inconsistent and variable cash flows resulting in exclusion from access to the formal credit system.

7.1. Loan Products and Range of Interest Rates:

Vivifi currently offers the following loan products:

7.1.1. Unsecured Personal Loans:

The company offers standard term loans to its retail customers for a tenure of up to 36 months with a maximum ticket size of Rs. 3,00,000.

7.1.2. Business / MSME Loans:

The company offers business / MSME loans for a tenure of up to 36 months with a maximum ticket size of Rs. 10,00,000.

7.1.3. Secured Loans:

The company offers secured term loans to its retail customers for a tenure of up to 36 months with a maximum ticket size of Rs. 5,00,000.

7.2. Expected Cost Structure:

The expected cost structure in proportion to the total assets under management (AUM) can be represented as shown below:

Cost of Borrowing	x_1 %
Cost of Disbursements (Sourcing/Origination & Servicing)	x_2 %
Cost of Operations (including Overheads & Administration)	x_3 %
Expected Credit and Default Cost	x_4 %
Margin (Return on Assets)	x_5 %
Final Pricing	**X %**

The company, subject to Credit Committee approval, may offer selected products at prices lower than the final pricing indicated in the table above, for strategic purposes such as market penetration, customer acquisition, competitive positioning, or product testing.

7.3. Cost Components:

The following components are used to determine the interest rate (pricing) for loans:

7.3.1. **Cost of Borrowing**:

Vivifi borrows funds from multiple avenues such as Banks, NBFCs, other financial institutions, High Net-worth Individuals etc. through various instruments such as Term Loans, Non-Convertible Debentures (NCD), Overdraft Facilities etc. basis the Company's profile and portfolio.

To this end, the Company incurs costs in the form of borrowing rates from lenders, processing fees, and third-party fees such as arranger fees, trustee fees, rating agency fees etc.

7.3.2. **Origination Cost**:

The following components comprise of the origination cost incurred by the Company:

1. **Marketing Cost**: The initial sourcing of Vivifi's applications is expected to be from the digital marketing efforts spread across search, social media, display functions and all other internet channels along with various lead generation partners.

2. **Underwriting Cost**: For instant digitized decisioning of the loan application, Vivifi relies on various third-party data sources including but not limited to Credit Bureaus and Account Aggregators. Fraud databases provided by credit bureaus and various alternate data providers which deal with identity theft, device identification, etc.

3. **Know Your Customer (KYC), Communications & Application Processing Cost**: The charges incurred for performing KYC using data from authorized entities, as well as the V-CIP process that is followed up with a Concurrent Audit for every V-CIP forms a significant portion of the total cost. In addition to the KYC charges, the Company also incurs the cost of communications sent out to customers at various stages of the application life cycle through various means of automated electronic communications, the cost of resources required to assist customers during the onboarding journey, customer support, documentation and infrastructure costs.

7.3.3. **Servicing Cost:**

All the costs associated post loan origination / sanctioning are classified under servicing costs. The main components of the servicing cost are as follows:

1. Transaction Charges
2. Communication Charges
3. Customer Service, Support & Collections

7.3.4. **Cost of Credit / Risk Premium**:

Further, the rate arrived at – basis the aforementioned elements – shall be adjusted based on the risk profile of the borrower by factoring in a risk premium, which may be adjusted from such rate. The risk premium (estimate of credit losses) shall be determined by considering the following:

a. an expected loss rate for the borrower segment, as demonstrated by past history of similar loans or as may be indicated by the correlation of borrower behaviour with external risk factors such as interest rates, growth rates in the economy, unemployment rates, etc.
b. expected losses for a specific borrower or risk category of the borrowers, which is estimated on the basis of borrower-specific factors. These factors may include credit bureau scores, sources of income, assets, stability of cash flows, etc. The Company may use a combination of factors for assessing the risk profile of the borrowers.

Based on the borrower risk as perceived by the Company or as assessed by the credit risk models employed by the Company, the Company may classify borrowers into different risk groups. These are internal credit risk scores assigned by the Company. Based on these scores, the Company may assign different interest rate groups for the borrowers.

7.3.5. **Return on Total Assets**:

The Company shall also account for the expected return on total assets (profit margin), as approved by the Board of the Company, in the pricing of the loan.

7.4. Interest Rates:

The interest rates applied for products offered by the company shall range from 18% to 42%.

8. Principles for Gradation of Risk:

As may be seen from the above, the Company has its own model for arriving at interest rates taking into consideration, among other things, the average cost of funds, non-allocatable costs (operational expenditure), administrative costs, risk premium, the expected loan performance and profit margin.

9. Interest Rate (Pricing) Rationale:

Based on the above Board-approved principles and procedures for charging spreads to calculate the final rate, the details of calculation of the interest rate / pricing of all the loan products have been outlined in the Interest Rate (Pricing) Rationale.

10. Other Financial Charges:

Besides Interest, other financial charges like Processing Fees, Origination Fees, NACH Failure Charges, Late Payment Charges, Withdrawal / Payment Transaction Processing Fees etc., would be levied by the company wherever considered necessary and shall be adequately disclosed in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable. Besides these charges, stamp duty, service tax and other charges would be collected at applicable rates from time to time as communicated in the documentation provided to customers.

11. Other Terms and Conditions governing the Loan Sanction:

- The decision to give a loan and the interest rate applicable to each loan account will be assessed on a case-to-case basis, based on multiple parameters such as the borrower profile, repayment capacity, borrower's other financial commitments, past repayment track record, if any, loan to income ratio and employment stability. Such data is gathered based on information provided by the borrower, credit reports and bank statements.
- The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case-to-case basis.
- The interest shall be charged at a periodicity not more than monthly as may be approved by the Credit Committee.
- While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.
- Claims for refund or waiver of charges / penal charges for delayed payments/ additional interest would normally not be entertained by the company but can be granted on individual merit at the sole discretion of the company to deal with such requests, if any.
- The Company intimates the borrower, the loan amount and rate of interest at the time of sanction of credit along with the requirements of monthly payment obligations in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to displaying Interest rates and Service Charges on the website.