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2026

Interest Rate Policy

Interest Rate Policy

Action	Entity	Signature
Created by	Risk Team/Product Team	
Approved by	Asset Liability Committee and Board of Directors	
Release Date	30th April 2026	
Version	14	

Version History

Version No.	Particulars	Details
1	Original Policy approved by Board	-
2	Revision in Arka Reference Rate	The revised Arka Reference Rate will be effective from August 6, 2022
3	Revision in Arka Reference Rate	The revised Arka Reference Rate will be effective from October 6, 2022

4	Change in the Indicative interest rate ranges for Unsecured SME & Retail Lending to Self Employed	The revised Indicative interest rate ranges for Unsecured SME & Retail Lending to Self Employed will be effective from October 20, 2022
5	Revision in Arka Reference Rate	The revised Arka Reference Rate will be effective from December 6, 2022
6	Revision in Arka Reference Rate	The revised Arka Reference Rate will be effective from February 6, 2023
7	Revision in Arka Reference Rate	The revised Arka Reference Rate will be effective from April 6, 2023
8	- Addition in Interest Rate Range for Wholesale Lending Segment - Defining authority for deciding charges	- Addition in Interest Rate Range for Wholesale Lending Segment - Business Head (retail) and Credit Committee / Business Head (wholesale) authorized to decide on charges to be levied on customers
9	- Updation in risk gradation parameters - Updation in Interest Rate Range	- Addition of geography and change in benchmark rate as a risk gradation parameter - Updation of interest rate range of SME-Unsecured fixed rate loans - Inclusion of mandatory option to be provided to personal loan customers to switch from floating to fixed interest rate - Alignment of norms for levying foreclosure charges with RBI directions``
10	Updation pursuant to RBI circular w.r.t. penal charges effective April 01, 2024	Updation of the term penal interest to penal charge and related changes
11	Updation of Reference Rate	Updation of Reference rate and Interest rate of financial products
12	Updation of Reference of RBI Master Directions	Updation of Reference Regulation to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

13	Updation of reference of RBI Directions	**Reserve Bank of India (Pre-Payment Charges on Loans) Directions, 2025, and amendment to the Circular on Reset of Floating Interest Rate on EMI-based Personal Loans.**
14	Addition in the Indicative interest rate	Updation of the indicative interest rate range for UCV, UPV and STLAP

1. Background

The Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, has directed all non-banking financial companies (NBFCs) [RBI Master Directions] to make available the rates of interest and the approach for gradation of risks on the website of the NBFCs. Accordingly, Policy outlines the approach for Determining Interest Rates, Processing and Other Charges in order to ensure transparency to conform to the stipulations of RBI's directives, and shall be applicable till further notice.

2. Objective

To arrive at the benchmark rates to be used for different category of products, customer segments and to determine the principles and approach to decide on the benchmark rate, taking into account the cost and the spread to be charged, methodology to arrive at the final rates charged from the customers.

3. Interest rate model

ARKA Fincap Ltd will be lending to various customer segments across retail and wholesale space. The lending will be done at fixed as well as floating rates. While for each of the products the rates charged will be as per the product offerings, customer segment, competition benchmarking etc, but the rates may be linked to the bench mark rate unless otherwise stated for some specific segments.

4. Methodology

The bench mark rate will be arrived at after considering the following factors

Sr No	Factor	Description
1	Weighted Avg Cost of borrowing	Being an NBFC the company needs to borrow funds through term loans, Non-convertible debentures, Commercial Papers & subordinate debt etc. The weighted average cost along with the cost of raising such debts on an annual basis, is taken to calculate the benchmark
2	ALM mismatch cost	To manage the ALM mismatch the company will have to maintain liquidity and create treasury assets, the negative carry on such assets will also be considered for calculating the benchmark rate

3	Opex Cost	The cost of operations will be added for calculating the benchmark rate. It includes the employee cost, sales and marketing cost etc
4	Cost of Equity & ROA	Base return on asset and equity to be added for calculating the benchmark rate
5	Risk Premium	Base risk premium to cover business related risks

The reference rate thus arrived shall be the reference rate called ARKA Reference Rate.

Different products/businesses/verticals will use this as a reference rate and can decide on their own rates which would be linked to the reference rate mentioned herein, keeping the following other factors in mind

1	Type of product	Nature of lending, for example unsecured/secured
2	Industry Trend and external conditions	Market benchmarking will also be kept in mind while arriving at this rate.
3	Subvention	Any subvention received from a third party may be considered to decide on the rate
4	Tenor of the loan	Depending on the tenor the rate may be charged. For higher tenor loans the rate could be higher
5	Profile of the customers	The positioning of the product and the target customers and the risks associated with them will also be considered to decide on the rate at the programme level (risk gradation approach to be followed as explained in Section 7)

5. Interest Rates for the Wholesale/Corporate borrowers

For wholesale or corporate segments, the Interest Rates can be linked to ARKA Fincap Reference Rate or to an external benchmark rate as may be agreed with the borrower. The rates for this segment can also be fixed as well as floating. They can also be fixed with the interest reset option, in which case on the date of reset the company can change the rate as per the terms agreed with the borrower or can put a condition that it will be benchmarked at the prevailing ARKA reference rate or the prevailing external benchmark rate as mentioned in this section.

6. Review and the change in the Reference Rate

The revision to reference rate would be decided on quarterly intervals and/or at shorter intervals if required, depending upon market volatility and cost to company or other relevant factors. ALCO committee shall be the authority to approve the change in the reference rate and the Interest Rate Policy, to the extent of reflecting the revised Arka Reference Rate and consequent change in indicative lending rates as specified in Annexure 1. **The current reference rate is fixed at 17.50%. Please refer Annexure 1 for the current indicative lending rates.**

7. Approach for Gradation of Risk

The lending rate to be charged from the customer/borrower will be derived from the rate fixed at the product level using ARKA Reference Rate, by adjusting the same for the various factors mentioned below on a case to case basis. The lending rate at the borrower level will depend on the consideration of any or combination of a few or all the factors listed out here.

- Profile and the market reputation of the customer/borrower
- Tenure of the relationship with the customer/group
- Customer segment
- Inherent credit & default risk in the products
- Past payment track record of the customer/borrower if any
- Nature & value of the primary and secondary collateral
- Loan-to-value (LTV) ratio
- Group strength, repayment capacity based on the cash flow assessment of the customer/borrower
- Regulatory requirements if applicable
- Appropriate headroom / margin which maybe required for elongation of tenor and / or increase in repayment instalment, in the scenario of possible increase in benchmark rate
- *Geography of the customer/borrower (w.e.f. October 25, 2023)

8. Any other factor that may be relevant to the caseOther charges and Features:

i. The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.

ii. The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.

iii. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company. The information published in the website or otherwise published would be updated whenever there is a change in the rates of interest.

iv. The interest rates offered could be on fixed basis or floating / variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.

v. Annualized rate of interest would be intimated to the customer

vi. Besides normal interest, the company may levy penal charges for any delay or default in making payments of any dues.

vii. The Company shall mention the penal charges for late repayment in bold in the loan agreement.

viii. The interest re-set period for floating / variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates

ix. In case of equated instalment based floating rate personal loans[1], at the time of reset of interest rates the Company may at its option, provide a choice to the borrowers to switch over to a fixed rate with applicable charges as disclosed to the borrowers. Such option of switch shall be available for a maximum of 2 times during the tenor of the loan.

x. The following parameters shall be considered by designated authority while calculating the final fixed rate to be charged to the customer who is opting from floating interest rare to fixed interest rate: (i) swap rates (ii) current interest rates, (iii) balance tenor of the loan etc.

xi. Additionally, in case of equated instalment based floating rate personal loans[2] the borrowers shall also be given the choice to opt for (i) enhancement in repayment instalment or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions of RBI, this policy and the Fair Practices Code. It shall be ensured that the elongation of tenor should not result in negative amortization.

xii. Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.

xiii. Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.

xiv. Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

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[1] Personal Loans shall be as defined in the RBI circular No. DBR.No.BP.BC.99/08.13.100/2017-18 on "XBRL Returns – Harmonization of Banking Statistics" dated January 04, 2018.

[2] Personal Loans shall be as defined in the RBI circular No. DBR.No.BP.BC.99/08.13.100/2017-18 on "XBRL Returns – Harmonization of Banking Statistics" dated January 04, 2018.

xv. Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

xvi. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, penal charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon by the business head (retail) for the SME and Retail Lending of the Company considering reasonableness, market benchmarking and such other factors as may deem fit to the extent relevant and applicable and by the Credit Committee / Business Head (Corporate Lending / Real Estate) as the case maybe, in case of Wholesale Lending Segment.

xvii. In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the company.

xviii. Claims for refund or waiver of such charges/ penal charges / additional interest would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

xix. In case deemed fit the company may consider moratorium for interest and principal with proper built in pricing.

xx. As per RBI Master Directions, the company shall as advised round off all transactions, including charging of interest on advances, to the nearest rupee, i.e. fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise should be ignored. Further, the cheques/drafts issued by the clients containing fractions of a rupee shall not be rejected by us.

xxi. As per Directions the company shall not charge foreclosure or prepayment charges/ pre payment penalties on all floating rate term loans sanctioned for purposes other than business to individual borrowers, with or without co-obligors. (w.e.f. October 25, 2023)

xxii. *As per Directions the company shall not levy any pre-payment charges on loans sanctioned for business purposes to individuals and Micro & Small Enterprises (MSEs), with or without co-obligants, where the sanctioned amount or limit is up to Rs. 50 lakh.

xxiii. The provisions under Clauses xxi and xxii shall apply irrespective of the source of funds used for pre-payment—whether in part or in full—and shall remain effective without any minimum lock-in period.

xxiv. For loans structured with a combination of fixed and floating interest rates (dual/special rate loans), the applicability of the pre-payment charges under Clauses xxi and xxii shall be determined based on whether the loan is under a floating rate regime at the time of pre-payment.

xxv. In the case of term loans, any pre-payment charges, if applicable, shall be computed based on the amount being prepaid.

xxvi. No pre-payment charges shall be levied in instances where the pre-payment is initiated at the behest of the company.

xxvii. The company shall not impose any charges or fees retrospectively at the time of pre-payment, where such charges or fees had previously been waived by the company.

*Additions and modifications introduced vide this revision shall be applicable to all loans and advances sanctioned or renewed on or after January 1, 2026.

Annexure 1

Product	Customer Segment	Interest Type	Reference Rate	Indicative Rates Range*
SME – Unsecured	Salaried	Fixed	17.50%	10%-36%
SME – Unsecured	Self Employed	Fixed		12%-24%
SME – LAP	Self Employed	Floating		10%-24%
Short-term / Long-term funding	Wholesale Clients	Fixed / Floating	As decided by the Credit Committee on case-to-case basis	8%-16%
UCV	Across all segments	Fixed	---	12% - 36%
UPV	Across all segments	Fixed	---	12% - 25%
SBL	Self-Employed & Salaried	Floating	17.50%	10%-24%

* in exceptional circumstances, based on risk perception, this may fall outside the indicated range.