Interest Rate Policy - QGO Finance Limited

Version Control:

Sl. No.	Name of Policy	Version	Admin Committee approval date	Remarks
1.	Interest Rate Policy - QGO Finance Limited	V1.0	February 2, 2024	Policy document approved.

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1. Objective

Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('Master Directions') requires NBFCs to lay down internal principles and procedures in determining interest rates and processing and other charges.

Further, RBI Directions also require 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 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.

Further, the purpose of this document is to outline the interest rate determination framework and procedures followed by QGO Finance Limited ("QGO") across its lending segments. This approach aims to ensure that interest rates are aligned with the risk profiles of various loan categories and the cost of funds to the Company, thereby ensuring sustainable profitability while maintaining competitive lending practices.

2. Approach for Gradation of Risk

The rate of interest, within the applicable range under each loan product, is assessed on a case specific basis after evaluating various factors, inter-alia, based on the following:

a) The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc.

b) The cost of running business, the cost of capital risk weightage and reasonable profit margin expectations of the stake holders, etc.
c) Inherent credit and default risk in the business, particularly trends with sub-groups / customer segments of the loan portfolio.

d) Nature of lending, for example unsecured/ secured, and the associated tenure;
e) Security Risk – Marketability / Liquidity / Enforceability and /or underlying cash flows (available from the underlying security) of available security would also be factored in while arriving at the interest rate.

f) Risk profile of customer - professional qualification / business track record, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship with the Company, future business potential, subventions and subsidies available, if any. The amount of credit risk associated depends on the internal assessment of the credit strength of the customer.

g) Current market pricing for similar transaction/customer with similar rating profile.

h) Promoter Groups along with their complete background and history on credit/financial yield, future potential, repayment capacity, cash flows, etc.

i) Liquidity conditions in the market and availability of the funds for borrowing at the given point in time.

j) And/or any other factors that may be relevant in a particular case, Industry trend and rates offered by the competition.

Above are the indicative bases of charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority/ Admin Committee.

In wholesale lending business, the rate of interest is decided based on the complex risk profile matrix of each borrower. The Company would disclose the Prime Lending Rate (if fixed rate, then such fixed rate) by way of sanction letter and facility agreement. Any change w.r.t. these factors would be suitably disclosed and communicated to the borrower.

Further these borrowers are generally Micro, Small and Medium Enterprises (MSME) groups which are well informed and hence in case of any up gradation of their risk profile, they are in a position to negotiate better terms. The interest rates in project loans are clearly spelt out in the sanction letter as well as the facility agreement.

3. Interest Rate Model – Computation of The Interest Rate for Lending:

3.1 The interest rate charged to the Borrower would generally be in the range of 13 % p.a. – 22 % p.a. as fixed rate at such interest payment frequency as the Company might deem fit on case to case basis.

The amount of loan sanctioned along with the terms and conditions including annualised rate of interest will be communicated to the Borrower by means of sanction letter or any other communique from the Company. Any revision in the rate of interest shall be approved by the Admin Committee/Sanctioning Authority and the same shall be communicated to the Borrowers. Such change shall become applicable from the effective date of the revision.

The Company provides loans under the following products:

- Co-operative Housing Society (CHS) Projects
- Other Project Loans
- Loan Against Property (LAP)
- Business Loans
- Retail Loans

The Company shall use external or internal benchmark rates for determining the fixed rate for its products. The internal benchmark shall be based on the following factors:

Parameters	**Description**
Cost of borrowing	The Company borrows funds through term loans, non-convertible debentures, inter corporate deposits, etc. It incurs additional costs such as processing fee / brokerage / arranger fee for raising the funds, the weighted average cost is considered for the purpose of the benchmark rates
Cost of Equity	The cost of equity required in the business is taken into consideration to determine the benchmark rate
Operating expenses	Costs such as employee costs, depreciation and operating expenses are taken into account for determining the benchmark rate
Risk Premium	The various risks taken in the business are considered for determining the benchmark rates
Return on Assets	The return on assets are considered while determining the overall lending rate

Thus, the weighted average cost of borrowing is determined as under:

Cost of borrowing (i)	XX%
Cost of Equity (ii)	XX%
Operating expenses (iii)	XX%

Risk Premium (iv)	XX%
Return on Assets (v)	XX%
Final Benchmark rate (i+ii+iii+iv+v)	XX%

Above are the indicative bases of charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority/ Admin Committee.

Further fixed rate loans do not use the benchmark rates but are decided on the basis of the Company's cost of funds, operating expenses, risk spreads and returns expected. The factors affecting the calculation of spreads include interest rate risk, credit risk, profile of the borrower, security cover, borrower track record, size, tenure, collection performance etc. The rate of interest for the same product and tenor availed during same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or combination of above factors.

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, etc., would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, service tax / GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be implemented prospective basis with due communication to customers. These charges would be decided upon by the Admin Committee.

At present the annualized rate of interest to be charged to the customers at the time of sanctioning loans shall be in the range as mentioned in Annexure – I. In exceptional circumstances, based on the risk assessment and financing structure, the modality of interest rate may fall outside the indicative range/ may be charge on differential parameters such as charging low rate of interest during the tenure of the loan and the repayment of the loan shall be with repayment premium in such a way that the Company will earn a desire or higher IRR.

4. **Processing fees/ Other Charges**

The Company may levy processing fees / other charges on its Borrowers for loans sanctioned on a case to case basis. Generally, this will be in the range of 1% to 3% of the sanctioned or disbursed loan amount. Quantum of processing fees / other charges would depend upon the type of collateral, geographical location of the collateral, nature and volume of documentation involved, services required from external agencies during appraisal process etc.

In cases where the Company decides to levy processing fees/ other charges, the same should be agreed and accepted by the Borrower whether in term sheet / sanction letter or any other loan document. Processing fee may also be charged at the time of renewal of the facility on a case to case basis.

Processing fees / other charges may be reduced or waived by the Admin Committee / Sanctioning Authority in certain cases based on justification provided by the Borrower.

5. **Penal Charges**
The Borrower will be levied penal charges on the various loans as per the Annexure - II annexed to this Policy.
Penal charges may be reduced, adjusted or waived by the Admin Committee / Sanctioning Authority in certain cases based on the information / justification provided by the Borrower.

6. **Applicability**
This Policy shall be applicable to the Loans and Advances (excluding Inter Corporate Deposits) made by the Company and shall not be applicable to Investments of the Company. The interest on inter corporate deposits would be in the range of 6%-20%, as decided by the Admin Committee/Sanctioning Authority for the respective transaction.

Further, any Loans and Advances (excluding Inter Corporate Deposits) to related parties shall be at the rate and terms, as approved by the Audit Committee of the Board of the Company. Further, the Company shall adhere to the applicable provisions of the Scale Based Regulation as amended from time to time and as per the 'Policy on dealing with the Related Party Transactions', adopted by the Board of the Company.

7. **Product-wise Interest Rate Slabs**

QGO adopts a slab-based interest rate structure across its loan categories as follows:

Loan Category	Interest Rate Slab (%)
Cooperative Housing Society (CHS) Projects	13% – 18%
Other Project Loans	15% – 21%
Loan Against Property (LAP)	18% – 22%
Business Loans	15% – 21%
Retail Loans	18% – 22%

8. Interest Rate Benchmarking and QGO Baseline Interest (QBL)

The interest rate slabs above have been determined based on:

- **Risk Perception**: Varying risk levels across loan segments, assessed through QGO's internal risk evaluation model.
- **Cost of Funds**: The actual cost incurred by QGO to raise capital from the market through instruments such as Non-Convertible Debentures (NCDs).

As on **31st March 2025**, all funds raised by QGO through NCDs have been at a **uniform cost of 12%**, with no brokerage or additional cost incurred. Accordingly, **QGO Baseline Interest (QBL)** is defined as **12%**, and serves as the minimum benchmark rate for lending.

Interest slabs are determined as a markup over QBL. For instance:

- CHS project loans: QBL + 1% to QBL + 5%
- High-risk project loans (e.g., non-CHS): up to QBL + 8%

9. Risk-Based Pricing Model

QGO has implemented a **project-specific risk assessment model** to evaluate the financial and non-financial risks associated with each borrower and project. The final interest rate within the respective slab is determined based on:

- Risk score of the borrower/project
- Collateral quality and loan-to-value ratio
- Expected cash flow and repayment visibility
- Macroeconomic conditions and regulatory risks
- Profitability of the deal to QGO

For **project loans with higher risks**, especially in the early stages of development, interest rates may be priced at **QBL + 8%**, reflecting the elevated risk profile.

10. Periodic Review of Interest Rates

The **Admin Committee** will review the interest rate structure **once every quarter**. Any change in the rates will be published and made applicable to new loan disbursals. In case no fresh rates are announced, the prevailing rates shall continue.

11. Additional Guidelines for Project Loans (Real Estate Focus):

To manage project execution risks more effectively, the following measures will apply:

- **Disbursement Conditions**: Project loans will be sanctioned only after receipt of a **Commencement Certificate (CC)** from the competent authority.

- **Learnings from Past Projects**: Over the past 7 years, QGO has observed that the Borrowers have faced delays in project completion due to:
    1. **Delayed Revenue Generation**: Loans often form a fraction of the total construction cost, with the remaining to be covered through inventory sales. Builders frequently slow down construction if the sales are delayed, increasing the loan risk.
    2. **Regulatory Changes**: Sudden policy/regulatory/ political changes (e.g., by Maha RERA/ CICDO/ MHADA/Central Approvals/ Various NOC's) have stalled project registration or altered timelines.
    3. **Environmental Clearances**: Projects above 50,000 sq. ft. often face delays in obtaining environmental approvals from the Central authorities.
    4. **FSI Changes**: Introduction of additional Floor Space Index (FSI) often requires redesign and increased cost, impacting timelines and risk.
    5. **Unforeseen Delays**: Market and local factors, including material shortage or legal issues, can delay sales and construction.

Given these concerns, QGO will take a **stage-wise sanctioning approach**, where sanction letters will define base rates (e.g., 17%) and conditions for additional drawdowns (e.g., 19% upon certain milestones).

12. Conclusion

This interest rate approach aims to:

- Ensure transparency in pricing
- Link interest rates to risk and cost of funds
- Allow flexibility for higher-risk loans
- Protect QGO's interests by embedding safeguards into project financing

This framework shall be periodically reviewed and revised to reflect market realities, borrower behavior, and QGO's business strategy.

13. Revisions

Any revision in this Policy shall be placed before the Admin Committee and Board of Directors of the Company for its approval.

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ANNEXURE – I

Loan Category	Interest Rate Slab (%)
Cooperative Housing Society (CHS) Projects	13% – 18%
Other Project Loans	15% – 21%
Loan Against Property (LAP)	18% – 22%
Business Loans	15% – 21%
Retail Loans	18% – 22%

Note: Above are the indicative ranges of charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority / Admin Committee

ANNEXURE – II

SCHEDULE OF PENAL CHARGES ON NEW LOANS SANCTIONED ON OR AFTER APRIL 1, 2024

Project Loans/ CHS Loans		
1	Failure to pay in terms of Facility Documents (interest and principal instalment)	2% p.a.
2	Non-compliance or breach of any covenants of the Facility Documents	2% p.a.

Business loans		
1	Failure to pay in terms of Facility Documents (normal interest and principal instalment)	2% p.a.
2	Non-compliance or breach of any covenants of the Facility Documents	2% p.a.

Notes:

a. There will be no capitalisation of Penal Chares i.e. Penal charges as and when applied, will notbe compounded and will not be added to the interest.

b. The Penal Charges will be calculated on a daily basis till such delay/non-compliance/default hasbeen cured or till final settlement date if not capable of being cured.

c. The Regular interest as applicable to the facility will continue to be compounded (if applicable)as per the terms of the Facility Agreements.

d. All the charges mentioned above are excluding GST (as applicable) or any other charges as the government may levy.

e. These charges may be subject to further revisions, from time to time, as per the directions of Reserve Bank of India (RBI).