Veritas Finance Limited

INTEREST RATE POLICY

	Name	Designation
Author & Verifier of the Policy	Laxmi S V	Chief Risk Officer
Approver of the Policy	Board & Directors	
Details of the Approval of Board	14th August 2026	

Version Control		
Versions	**Date**	**Particulars**
Version 1	8-11-2022	Pricing Revision
Version 2	8-11-2023	Pricing revision for MSME Rural
Version 3	27-03-2024	a) Inclusion of Commercial Vehicle pricing b) Amendment in MSME Rural pricing structure c) Amendment in Veritas Prime Lending Rate d) Inclusion of Penal & Other charges – All products
Version 4	12-11-2024	a) Offer Fixed Rate for Non HL Products b) Amendment in Veritas Prime Lending Rate
Version 5	30-1-2025	a) Removal of Charges such as Cheque Swap, Cash Collection, Copy of Title Deeds, Document retrieval charges on Pre – Closure, Field Visit Charges (For due Collection dues, Other Penal charges, Rescheduling Charges, Statement of Account etc b) Reduction in Cheque Bounce Charges c) Modification in Login Fees – HL d) Addition of Field Visit Charges in MSME Urban *Product wise Revised charges are in Annexure A*
Version 6	30-4-2025	a) Revision of Interest Rate Range b) Inclusion of NeSL, CERSAI charges, Revision of Processing fees in MSME Rural, c) Revision of foreclosure charges in MSME Urban from 1.5%-2% to 2% across ticket size
Version 7	07-05-2026	a) Amendment in Veritas Prime Lending Rate b) Revision of ticket-size range and interest, c) Inclusion of Two-wheelers and movement of EEL scheme in MSME Rural from Home Loans d) Amendment in charges of Working capital loan
Version 8	14-08-2026	a) Introduction of Part-payment charges across products b) Increase in foreclosure charges for Vehicle Finance product

		c) Semi-fixed Rate for Home Loan & EEL Product offering

Contents

Sl. No.	Particulars	Page No.
1	Preamble	3
2	Background	3
3	Interest Rate Model	3
4	ROI Matrix	6
5	Communication to Customers	6
6	Disclosures on the Website	7
7	Annexure A – Product wise Charges	8

1) Preamble:

The guidelines issued by RBI vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2nd January 2009 and RBI/2023-24/55 DOR.MCS.REC.32/01.01.003/2023-24 dated 18.08.2023 as well as its guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), directs all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies.

In compliance with the requirements of the RBI regulations including the Fair Practices Code and the good governance practices, the company has put in place the internal guidelines, policies, procedures and a comprehensive interest rate policy.

The interest policy aims to cover:

- The various components of interest rate =
- Approach for gradations of risk
- Rationale for charging differential rates
- Disclosure of rates of interest, changes thereof and publicity there to

2) Background:

Veritas Finance is into the business of providing secured and unsecured business loans for the micro enterprises and small enterprises in the urban, semi urban and rural areas. The loan offered to heterogeneous MSME segment, who would otherwise be excluded from the financial eco system as they may not have adequate documents to prove their ability or intent to repay. Veritas has developed unique subjective assessment credit methodologies to assess these customers and reaches out to them through branch based lending model where our credit officers meet and evaluate the customers after multiple visits to their business, residence and property and have personal discussion to understand their requirements.

Such subjective assessments of these customers for low ticket size has its own implication on various aspects which affect the lending rate

Low ticket size and direct visits mean high operating expenses. Untested credit history and lack of documents enhance the credit risk. This perceived risk in the underlying portfolio leads to higher borrowing cost for the company.

The interest rate policy takes into account all the above along with requirement to maintain the profitability.

3) Interest Rate Model:

The interest rate charged by Veritas for the products offered would take into account the following factors.

1. Cost of Funds
2. Operating Cost
3. Risk Premium for the Product Segment
4. Profit Margin

5. Market Practices

1. Cost of Funds:

Finance cost is the main component in deciding the interest rate charged to the customers. The company borrows from diversified institutions like Banks (including SFBs), NBFCs, HFCs, and Off-shore Financial Institutions and DFIs. While the company's borrowings are expected to be a mix of fixed rate as well as floating rate borrowings, considering the customer segment, we choose to keep the loans to the customers with fixed rate for all products except Home loan product where we charge floating rate of interest. The rate to the customers would therefore factor in the risk associated with fluctuations in the interest rate.

2. Cost of operations:

The cost of operations includes manpower cost, infrastructure cost and other administrative costs. Most of these costs are fixed costs and are committed on the basis of budgeted volume of operations. Since these costs come down with increasing volumes and efficiencies, the pricing factors the estimated cost over a reasonable period of time. Also, other factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer. As a philosophy, the company will charge clients fixed rate assuming a steady state operation.

3. Risk Premium:

The segment where Veritas operates is very heterogeneous and the customer profiles are vastly different with regard to nature of business, cash flow, profitability, complexity of operations etc. Our risk premium differs for MSME Rural Loans, Vehicle Loans, Working capital loans and Home Loans. Therefore, the risk levels can be quite varied based on the customer segment and product nature.

4. Profit Margin:

The interest rate charged to the customers would include a profit margin decided on the basis of the reasonable return expected by the shareholders and the risks involved. The profit margin is arrived at keeping in mind the need to attract fresh capital to sustain growth and also benchmarked with comparable companies.

5. Market Practices and Other parameters:

i) ALCO View & forecast of market interest rates:

Views of the Asset Liability Management Committee (ALCO) on loan product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration. The forecasts and analysis of 'what if' scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged. The lending rate is both fixed and floating as well as the fees charged is fixed, taking into account the sustainability of various factors and it is reviewed periodically by the Asset & Liability Management Committee

ii) Prevailing market practices:

While the interest rate charged would broadly depend on the above factors, the fees and other charges applicable will depend on the market practices and the cost of providing such services. While we look at the market practices for the fees and other charges, the policies would always be customer centric and efforts would be not to over burden the otherwise vulnerable customer segment.

Basis the above details for our pricing methodology, we have defined our Benchmark rate linked on the inherent risk of product and customer segment.

"Veritas Prime Lending Rate" (VPLR):

Weighted Average Cost of Funds as on June-2026	9.15%
Average Risk premium	4.00%
Return on Assets	4.50%
Overheads & Cost of operations	5.00%
Veritas Prime Lending Rate	**22.65***

** VPLR is constant unless there is change beyond 100bps*

The above-mentioned Veritas Prime Lending Rate would act as a guidance and the yield for each of the products would vary based on the risk levels of the segment, product nature and market conditions.
With regard to the interest rate charged to the customers for different products, Veritas would operate with the following principles.

1. **Weighted Average Cost of Funds:** The Company utilizes a variety of funding mechanisms, such as term loans, securitization, and debt instruments including debentures and commercial papers, to acquire funds. The cost of funds covers the overall borrowing cost including related costs like brokerage, processing fee, etc. Changes in the borrowing cost would lead to change in the Veritas Prime Lending Rate and may accordingly result in change in the lending rate to the customers based on the thresholds applicable for VPLR.

2. **Average Risk premium:** Risk premium factors in the credit and default risk of the customers. Veritas adopts a risk-based pricing model for its customers which factors in various aspects including the business profile of the customer, income stability and other demographic metrics based on which pricing for a customer may vary. Additionally, the loan amount and tenure of the loan also affect the risk premium. Further, based on the portfolio performance the risk premium would undergo a change and the lending rates may be either higher or lower than the VPLR.

3. **Return on Assets:** ROA factored in VPLR is the minimum return expected by the Company on its assets. The company would absorb any differential ROA other than target to compete in different segments and build the loan book of products operating at rates yielding lesser ROA.

4. **Overheads & Cost of operations:** This includes employee expenses, branch related fixed and variable costs, sales and marketing expenses, technology expenses, expenses related to sourcing and recovery, other administrative expenses etc. The difference between the actual Opex and benchmark Opex rate used to arrive at the Veritas Prime Lending rate would be

absorbed by the company till it stabilizes on some of the products and Veritas may operate at rates lesser than VPLR for some products and incur higher cost of operations.

Loan products including Home Loans, offered with a longer repayment tenor carry additional interest rate risk. As a policy, the organization will endeavor to minimize this risk by offering the home loans under floating rate, to the extent possible and would be subjected to evaluation for re pricing. Such changes, as required would be discussed at the ALCO and given effect as per the recommendation of ALCO.

Veritas shall offer **semi fixed** variant with a **tenor of 3 years for home loans & EEL**. During the fixed-rate period, foreclosure and part-prepayment charges shall be applicable as per the Company's approved pricing policy and subject to applicable regulatory provisions.

Upon completion of the fixed-rate period, the loan shall automatically migrate to the prevailing floating-rate regime, with pricing linked to the Veritas Prime Lending Rate. The transition to floating rate shall be communicated transparently to customers at the time of sanction through the sanction letter and loan agreement and during rate conversion.

Any Charges may be levied during the fixed-rate period as permitted under the applicable RBI regulatory framework. Product terms, sanction letter, loan agreement and Key Fact Statement to clearly disclose the pricing and applicable charges.

The VPLR shall be reviewed in the periodic ALCO meeting and necessary changes shall be done if needed. Any interest rate changes due to change in the VPLR change will be communicated to the customer through the medium that is deemed fit as easily accessible by the customer.

4) ROI Matrix:

The prevailing interest rate is enclosed below:

Product	Ticket Size (INR)		ROI		Interest Type
	Minimum	Maximum	Minimum	Maximum	
MSME – Rural – Business Loans					
Micro LAP	INR 1 lac	INR 5 lacs	24%		Fixed
Micro LAP - Small Business Loans	INR 5 lacs	INR 100 lacs	14%	23%	Fixed
Emerging Enterprise Loan	INR 10 lacs	INR 200 lacs	13%	20%	Floating & Semi-Fixed
Veritas – Home Loans					
Home Loans	INR 5 lacs	INR 100 lacs	11%	18%	Floating & Semi-Fixed
Loan Against Property	INR 5 lacs	INR 100 lacs	13%	20%	Fixed
MSME - Working Capital Loans					
Unsecured	INR 0.50 lac	INR 5 lacs	24%	30%	Fixed
Vehicle Loans					
Used vehicles	INR 1 lac	INR 200 lacs	12%	24%	Fixed
Two-wheelers	INR 1 lac	INR 3 lacs	12%	24%	Fixed

The above structure and interest rate band would act as a broad guideline in line with Risk based pricing considering the product risk characteristics.

Any deviations required from the interest rate on a case-to-case basis would be done with approvals as per deviation matrix defined in respective SOP. Any deviations over & above the mentioned rates shall be approved by MD & CEO.

Fixed rate of interest for Non-HL product:

We offer fixed rate of interest for Non-HL products like LAP, Refinance (Purchase or Construction). These customers will be charged foreclosure as per the charges defined.

5) Communication to the customer:

The Company intimates the borrower regarding the loan amount, annualized rate of interest, insurance premium, processing fees even at the time of beginning the interaction. Every customer is communicated the most important terms of the contract including all the above as part of the sanction letter.

Options available for customer on Rate Change:

Following options are available for the customer on rate reset or at the time of prepayment or any time during the tenure of the loan.

a) Enhancement/ reduction in EMI
b) Elongation or contraction of loan tenor
c) Combination of above (both) options
d) Prepayment of outstanding loan amount 'in-part'
e) Prepayment in full

The elongation of the loan tenor will be governed by the restructuring norms mandated by the RBI. In event of change in the ROI due to change in the VPLR, for operational ease, the EMI will be constant only the tenor of the loan will be either extended or contracted based on the change in the interest rate. However, customer can avail any of these options by contacting in the branch or toll-free number or through available online medium.

Penal & Other Charges:

Guidelines issued by the Reserve Bank of India on Fair Lending Practice with respect to penal charges of loan accounts vide its Master Circular bearing No. RBI circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 on Fair Lending Practice - Penal Charges in Loan Accounts and RBI/2023-24/102 DoR.MCS.REC.61 /01.01.001/ 2023-24 dated 29.12.2023 extension of timeline & FAQ's wherein Reserve Bank of India (RBI) has summarized the guidelines on Fair Lending Practice for NBFCs.

Penal charges refer to charges over and above normal interest rates/ fees, levied for default by the borrower in complying with the terms on which credit facilities were sanctioned. However, this will not affect the normal procedures for compounding of interest in the loan account.

Penal charges (income) will be recognized in the Profit and Loss account on receipt basis. Penal charges

will be in addition to the foreclosure charges incurred by the Company due to prepayment of any loan facility which will be levied to customers in case of pre-payment.

The quantum and reason for penal charges as documented in this policy shall be clearly disclosed to the customers in the loan agreement and sanction letter & MITC/KFS, as applicable, in addition to being displayed on Company's website under Fees & Charges. Any change in Company's policy (on account of change in regulation or otherwise) will be communicated to the borrower and the same will be applicable from the date of issue of such revised policy.

Other Service Charges include:

a) Acquiring or Sourcing Charges like Processing Fee, Legal or Technical Fees
b) Charges during Pendency of loan like ACH/Cheque Bounce Charges, Account Swap charges etc.
c) Charges during Loan closure

The detailed list of charges is attached in Annexure herewith.

6) Disclosure on the website:

All the information relating to the policies, interest rate etc. are made available in the company website which is constantly updated. Though most of our customers are not tech savvy, we inform them and take effort to make them aware of the disclosures regarding this Interest Rate Policy and the schedule of charges on the Company website. Any changes to the policy and terms and schedule of charges are updated in the website on a dynamic basis.

7) ANNEXURE A- PRODUCT WISE CHARGES:

Product wise Schedule of Charges are attached herewith as Annexure A.

Annexure A:
Statement of Charges – MSME Rural Business Loans

S.No	PARTICULARS	CURRENT FEE/CHARGES
1	Processing Fees	**Loan amount upto 15 lacs:** 2% of the loan amount + GST **Loan amount 15.01lacs to 30 lacs**: 1.5% of loan amount + GST **Loan amount 30.01lacs to 50 lacs**: 1% of loan amount + GST
2	Legal Fee	Rs.1000 + GST
3	Documentation Charges	Rs.500 + GST
4	Penal charges, if any, in case of delayed payment	2% per month
5	Foreclosure Charges, if applicable (Fixed Rate of Interest Loan only)	Upto 5 % of total outstanding amount + GST
	Part Payment Charges, If applicable (Fixed Rate of Interest Loan only)	No part payment in the first 12 months. Upto 5% on the part payment amount + GST
6	Charges for switching of loans from floating to fixed rate and vice versa	NA
7	Login Fee	Upto 5 Lakh Rs.1000 + GST Above 5 Lakh Rs.2500 + GST
8	CERSAI	Loan Amount below Rs. 5 Lakhs - Rs.50 + GST Loan Amount above Rs. 5 Lakhs - Rs.100 + GST
9	NeSL Charges	Rs.25 + GST for tenure upto 5 years Rs.10 + GST for every additional year
10	Cheque Bounce Charges	Rs.250
11	Recovery Charges (Legal/Repossession/Incidental)	As Per actuals
12	Mortgage Charges / Registration Fee	As specified by the State Government / Union Territory from time to time and to be paid in Sub Registry office directly by Borrowers.

Annexure A:
Statement of Charges – MSME Working Capital

S. No.	PARTICULARS	CURRENT FEE/CHARGES
1	Processing Fees	2% + GST
2	Documentation Charges	Upto Rs. 500 + GST
3	Other Penal charges, If any	NA
4	Cheque Bounce charges	Rs. 250
5	Foreclosure Charges, if applicable (Fixed Rate of Interest Loan only)	Standard 2% + GST
	Part Payment charges, If applicable (Fixed Rate of Interest Loan only)	No part payment in the first 12 months. 2% on the part payment amount.
6	Recovery Charges (Legal/Repossession/Incidental)	As Per actuals
7	Delayed Payment Charges	2% Per month
8	CERSAI	Loan Amount below Rs. 5 Lakhs - Rs.50 + GST Loan Amount above Rs. 5 Lakhs - Rs.100 + GST
9	NeSL Charges	Rs.25 + GST for tenure upto 5 years Rs.10 + GST for every additional year
10	Mortgage Charges / Registration Fee	As specified by the State Government / Union Territory from time to time and to be paid directly to the authorities by the customer.
11	Field Visit Charges (Unsuccessful Visits)	Rs.100 + GST per instance

Annexure A :
Statement of Charges – Vehicle Finance

S.No	PARTICULARS	CURRENT FEE/CHARGES
1	Processing Fees	2% + GST
2	Documentation Charges	Rs.500 + GST
3	Penal charges, if any, in case of delayed payment	2% Per Month
4	Other Penal charges, If any	NA
5	Foreclosure Charges, if applicable	4% + GST
	Part Payment Charges, if applicable	NA
6	Charges for switching of loans from floating to fixed rate and vice versa	NA
7	Cheque Bounce Charges	Rs.250
8	Repossession Charges (paid to repo vendor)	As Per actuals
9	Deal Cancellation Charges	Contracted IRR from the date of disbursement to deal cancellation date + GST
10	Valuation Charges (paid to valuator charges)	Rs.600 to Rs.800 + GST (to be directly paid by the customer)
11	Duplicate NOC	Rs.100 + GST
12	Parking Yard Charges	As Per actuals to be paid by the customer
13	RTO Charges (Transfer of Ownership & Endorsement)	As Per actuals to be paid by the customer
14	Stamp Duty	As Per actuals
15	NeSL charges	Rs.25 + GST for tenure upto 5 years Rs.10 + GST for every Additional Year Rs.300 + GST for Corporate Borrowers

Annexure A:
Statement of Charges – Home Loans

S. No.	PARTICULARS	CURRENT FEE/CHARGES
1	Processing Fees	2% + GST
2	Valuation Fees	Rs.1000 + GST (First Valuation) Rs.500 + GST (Subsequent Valuation)
4	Stamp Duty	As Per actuals
5	Penal charges, if any, in case of delayed payment	2% Per Month
6	Other Penal charges, If any	NA
7	Foreclosure Charges, if applicable (For Fixed Rate & Semi-fixed rate of Interest Loan Only)	Foreclosure not allowed during first 12 months. 4% of the Principal Outstanding + GST
	Part payment charges, if applicable (For Fixed Rate & Semi-fixed rate of Interest Loans only)	No part payment in the first 12 months. Charge 4% on the part payment amount.
8	Charges for switching of loans from floating to fixed rate and vice versa	NA
9	Login Fee	Upto Rs.4000 + GST
10	Cheque Bounce Charges	Rs.500
11	Document retrieval charges on Pre - Closure	Rs.1000 + GST
12	Rate Reset Fees	0.2% of the total outstanding principal applicable per instance + GST
13	Subsequent Technical Fees for under construction cases	Rs.500 + GST (Per instance)
14	Recovery Charges (Legal/Repossession/Incidental)	As Per actuals
15	CERSAI	Loan Amount below Rs. 5 Lakhs - Rs.50 + GST Loan Amount above Rs. 5 Lakhs - Rs.100 + GST
16	NeSL Charges	Rs.25 + GST for tenure upto 5 years Rs.10 + GST for every additional year
17	Mortgage Charges / Registration Fee	As specified by the State Government / Union Territory from time to time and to be paid in Sub Registry office directly by Borrowers.

Annexure A:
Statement of Charges (Emerging Enterprise Loans)

S. No.	PARTICULARS	CURRENT FEE/CHARGES
1	Processing Fees	2% + GST
2	Valuation Fees	Rs.1000 + GST (First Valuation) Rs.500 + GST (Subsequent Valuation)
3	Legal Fee	Rs.1000 + GST
4	Stamp Duty	As Per actuals
5	Penal charges, if any, in case of delayed payment	2% Per Month
6	Login Fee	Rs. 5000 + GST
7	Cheque Bounce Charges	Rs.500
8	Rate Reset Fees	0.2% of the total outstanding principal applicable per instance +GST
9	Recovery Charges (Legal/Repossession/Incidental)	As Per actuals
10	Full Preclosure Charges (Fixed Rate & Semi-fixed rate of Interest Loan only)	Foreclosure not allowed during first 12 months. Charge 4 % for preclosures after 12 months and before 36 months. 2% for all payment after 36 months.
	Part payment Charges (Fixed Rate & Semi-fixed rate of Interest Loan only)	No Part payment in the first 12 months. Charge 4 % for payment after 12 months and before 36 months. 2% for all payment after 36 months. Part-payment is allowed only twice in a financial year subject to 25% of POS beginning of the FY
11	CERSAI	Loan Amount below Rs. 5 Lakhs - Rs.50 + GST Loan Amount above Rs. 5 Lakhs - Rs.100 + GST
12	NeSL Charges	Rs.25 + GST for tenure upto 5 years Rs.10 + GST for every additional year

13	Mortgage Charges / Registration Fee	As specified by the State Government / Union Territory from time to time and to be paid in Sub Registry office directly by Borrowers.