Risk Gradation Methodology for Determination of Rate of Interest

1. Objective

Truhome Finance Limited ("the Company") follows a structured risk gradation methodology to ensure that borrowers are charged a rate of interest (ROI) commensurate with the credit risk they present at the time of loan origination. This methodology promotes risk-based pricing, consistent underwriting standards across the Company's branch network, and transparent disclosure to borrowers and regulators.

2. Key Determinants of Borrower Risk

A borrower is generally assessed as lower risk where the following hold true:

1. Loan-to-Value (LTV) is low relative to the assessed property value.
2. Income is stable, verifiable, and adequately documented.
3. Existing obligations are low, reflected in a comfortable Fixed Obligation to Income Ratio (FOIR).
4. Repayment capability is strong and consistent with the proposed EMI.
5. Repayment track record (RTR) on prior credit facilities, as evidenced by CIBIL / bureau records, is satisfactory.

As no two borrowers are identical across these parameters, the Company does not assign a bespoke individual rating to every applicant. Instead, a cohort-based approach is adopted, under which borrowers are grouped into defined income-assessment programs that collectively capture these risk determinants.

3. Income Assessment Programs

The Company's risk gradation is anchored on the income-assessment program under which a loan is sourced and underwritten. The programs are summarized below.

3.1 Formal Salaried

Applicable to salaried borrowers with Form 16 / salary-slip evidence and salary credit is visible in bank statement. stable monthly income flow that can be easily verified, full visibility of financial health, supported by documentary evidence, resulting in a low probability of default, when combined with a strong CIBIL score, the best interest rate is offered for this segment.

3.2 Cash Salaried

Applicable to salaried borrowers working usually in small SME firms and getting salary in cash, verification of salary income is slightly challenging. However, with low probability of default and a good credit history, the interest rate offered is slightly higher than the best rate provided for formal salaried individuals.

3.3 Banking Surrogate Program, Net Profit based Program and Gross Professional Receipts

Applicable for Self-employed borrowers filing ITR or having good banking habits, business can be verified through banking analysis or are professionals whose turnover is declared in filled ITR. Documented income is verified during due diligence with additional checks of LTV, Bureau, obligations, etc. Consequently, are relatively medium risk segment.

3.4 Income Multiplier

Applicable for Self-employed borrowers filing ITR, asides to the income documents, assessment considers the business profile and any benefit of higher cash flows, thus for deriving appraised income, hence these customers are relatively medium risk segment.

3.5 Liquid Income Program and Low LTV

Applicable where income is assessed through a combination of projected income assessment and from personal discussion (PD) notes and available liquidity indicators, typically for informal-income and micro-business segments. Lower LTV is one of the considerations in the assessment process and helps mitigate the risk in the assessment. Given the reliance on subjective assessment, this program is classified in the medium risk segment.

3.6 No Income Proof

Applicable where income is assessed through a combination of projected income assessment and subjective discussion with the borrower and personal discussion (PD) notes, typically for informal-income and micro-business segments. These cases may not have documented income but demonstrate a stable business. Given the reliance on subjective assessment, due to the higher risk of default associated with such cases, this program is classified in the high-risk segment.

4. Risk Grading and Indicative ROI Range by Program

Based on the programs described above, borrowers are graded and priced as follows:

Income Assessment Program	Borrower Segment	Risk Rating	Indicative ROI Range
Formal Salaried	Salaried <= 10 lacs	Low	13.00%
Cash Salaried	Salaried <= 10 lacs	Medium	13.75%
Formal Salaried	Salaried > 10 lacs	Low	12.50%
Cash Salaried	Salaried > 10 lacs	Medium	13.25%
Banking/Net Profit /GPR	Self-Employed <= 10 lacs	Medium	13.75%
Income Multiplier	Self-Employed <= 10 lacs	Medium	14.00%
LIP/Low LTV	Self-Employed <= 10 lacs	Medium	14.25%
NIP	Self-Employed <= 10 lacs	High	14.75%

Income Assessment Program	Borrower Segment	Risk Rating	Indicative ROI Range
Banking/Net Profit /GPR	Self-Employed >10 lacs	Medium	13.25%
Income Multiplier	Self-Employed >10 lacs	Medium	13.50%
LIP/Low LTV	Self-Employed >10 lacs	Medium	13.75%
NIP	Self-Employed >10 lacs	High	14.25%

Note: ROI ranges above are indicative and subject to periodic revision by the Credit Policy team in line with cost of funds, competitive positioning and regulatory requirements. The prevailing approved rate card at the time of sanction shall govern.

5. Adoption of Risk Grading for Determination of ROI

Within a given program, a range of risk still exists, the assessment is based on the judgement of the frontline sales team and the credit team and thus pricing at loan level considers various factors on overall level and final pricing is based on assessment of the team at the location.

Factors that may reduce the ROI	Factors that may increase the ROI
Stable, long-tenured employment / business vintage	Adverse credit history / bureau delinquencies
Low LTV / higher borrower equity contribution	High LTV relative to program cap
Strong collateral quality and marketability	Income seasonality or volatility
Additional income streams not reckoned in eligibility	Single income source / thin credit file
Strong CIBIL / bureau score and clean repayment history	Weak asset base or collateral concerns
Lower loan quantum relative to program cap	Non-standard property or title complexity

To accommodate these factors, the Company assigns an approved ROI range to each program (Section 4). The underwriter selects a rate within this range based on the transaction's risk profile. Pricing outliers outside the approved range may arise on account of competitive intensity or a specific subjective risk assessment, and any such outlier requires approval from the delegated authority. Borrowers are made aware of these pricing norms at the time of sanction, enabling them to understand how their chosen combination of parameters maps to the applicable ROI.

6. Disclosure to Borrowers

In line with regulatory expectations on fair practice and transparent pricing, the Company discloses the applicable program, the corresponding risk rating and the approved ROI range to the borrower at the time of sanction so that the borrower can make an informed decision on the loan offer.

7. Disclaimer

The terms and conditions for sanctioning of loan facility is at the sole discretion of Truhome Finance Limited.