

## **1. Introduction**

SFI Financial Services Private Limited ("SFI"), a company is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. N-07.00844 dated 3.10.2018 current RBI classification as NBFC - Non-deposit Non-Systemically Important Company (NBFC-ND-NSI) with more than 5 years of experience in asset finance business.

It is focused on offering financing of MSME, Loan against property.

## **2. Regulatory requirement**

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 I CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), has directed 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 mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

## **3. Interest rate model**

SFI focuses on providing Loans against property to its customers i.e. low income households & MSME. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as mentioned below:

- a) Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest (viz monthly); terms of repayment of principal, etc.
- b) Internal and External Costs of Funds - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c) Credit Risk - The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer. This cost is then reflected in the final rate of interest quoted to a customer.
- d) Market Dynamics Views: Views of the Management of the Company on 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 Management are also relevant factors for determining interest rates to be charged.

#### **4. Approach for Gradation risk**

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- I. Profile, financial stability and market reputation of the borrower;
- II. Historical performance of similar homogenous pools of borrowers;
- III. Profile, strength, experience, income/earnings of the borrower;
- IV. Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
- V. Type of asset being financed, end use of the loan represented by the underlying asset;
- VI. nature and value of primary and secondary collateral / security;
- VII. Overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
- VIII. RBI Policies on credit flow;
- IX. Offerings by competitors;
- X. External ratings etc.
- XI. And any other factors that may be relevant in a particular case.

#### **5. Rate of Interest**

- a) The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Thus, it is decided that Annualized Rate of Interest of the loans and advances shall be between 18% to 25% p. a. to be charged for the entire tenure.
- b) Further Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower through sanction letter and verification calls along with the installments towards interest and principal dues.
- c) Besides interest , other financial charges like processing charges , cheque bouncing charges ,pre-payment / foreclosure charges, part disbursement charges, cheques, waps, cash collection charges, bank charges, charges on various other services like issuing NOC, field visit for collection follow up, Foreclosure Value Statement Charges, Foreclosure charges, Duplicated Repayment Schedule etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levied scores would be collected at applicable rates from time to time.
- d) Besides normal Interest, the Company may levy additional interest for ad-hoc facilities, penal charges I default charges for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be

mentioned in bold in the loan agreement and communicate date & time of sanctioning the loan.

#### **6. Content on the website**

This Interest Rate Policy shall be made available on the Company website.

#### **7. Review**

The Company's Directors has been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severally, make necessary changes, amendments or additions or removals for operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The Directors can decide on delegation of authority and can design or redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.