

## Interest Rate Model

### Findoc Finvest Private Limited

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### 1. **Preamble**

Reserve Bank of India (RBI) vide its notification dated January 02, 2009 and guidelines on fair practices code for non-banking finance companies dated March 26, 2012 now subsumed in the Master Direction - Reserve Bank of India (Non-Banking Financial Company -Scale Based Regulation) Directions, 2023 dated October 19,2023 as updated from time to time, have directed all the NBCs to:

- Put in place a Board approved Interest Rate Model taking in to account relevant factors such as cost of funds, margin and risk, premium etc and determine the rate of interest to be charged for loans and advances
- Communicate the rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Make available the rates of interest and the approach for gradation of risks on the website of the companies.

### 2. **Objective**

To arrive at the benchmark rates to be used for different category of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers

### 3. **Approach for gradation of risk**

The rate of interest for loans for various business segments and various schemes there under arrived after adjusting for spread by the relevant business segment.

Factors considered by businesses calculating spreads are as follows:  
for

- Interest rate risk (fixed vs floating loan)
- Credit and default risk in the related business segment
- Historical performance of similar homogeneous clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Secured Vs unsecured loan
- Subvention available
- Ticket size of loan
- Bureau Score
- Tenure of Loan

- Location delinquency and collection performance
- Customer Indebtedness (other existing loans)
- Pricing offered by competition and other relevant factors
- The rate of interest for the same product and tenor availed during the 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.  
The rate of interest shall be annualised ROI.

#### 4. Pricing

Pricing is essentially a function of risk, tenor and prevailing market trend. As far as fund-based exposure is concerned, pricing has two components, viz., benchmark and spread. The benchmark and spread are a function of cost of funds, margin, risk premium etc.

The decision to offer a fixed or floating interest rate loan by the organisation, will inter alia depend on the nature of the product being offered, market conditions, sources & terms of funds, client requirement etc.

The Company intimates the borrower, the loan amount and rate of interest at the time of Sanction of the loan along with the tenure. The company informs the instalment amount as part of welcome communication post disbursement.

The pricing for each of these products is arrived at by taking into consideration cost of funds, risk premium, other operating costs, margin, credit losses and pre-tax ROA

Sr. No	Factor	Description
1.	Cost of Funds	<ul style="list-style-type: none"> <li>• The company raises funds from its lenders with both end use specified and/or unspecified which is against pool of receivables.</li> <li>• The cost of fund varies for different products offered by the company depending on nature of product such as Fixed/Floating rate, tenor, repayment frequency, priority lending benefits etc.</li> <li>• Company also needs to put some equity portion to run the business and the cost of such equity is taken into consideration.</li> <li>• The company also keeps some liquidity buffer in the form of investments into liquid funds to manage liquidity risk and has to bear negative carry on those investments too.</li> </ul>
2.	Operating Cost	Retail products offered by the company are sourced by in-house team/aggregators/fintech partners. Collection services are also undertaken through service providers with large tele calling setup. The company invests considerable funds on API integration with theses tech partners both on sourcing and collection side. The

		monthly recurring payouts to tech partners and service providers form a substantial part of the operating cost.
3.	<b>Margins</b>	The company is investing widely in technology in order to improve loan servicing to its customers. The teams are supported by technology and analytics for sourcing of business. The margins are hence calculated accordingly.
4.	<b>Risk Premi um</b>	The company focuses on maintaining very high collection efficiency through investments in collections, technology and analytics.
5	<b>Pre-tax ROA</b>	Return on assets is the minimum return expected by the company on its assets.

### 5. For Retail Loans:

Company lends money to its retail borrowers on both fixed and floating rates depending on the nature of the product. The Company offers following retail products namely. Education Loans, Demand Loan and Loan against Property and Digital PL.

Sr No.	Product	Offering	Annualized ROI generally charged to our customers
1.	Digital PL	Provides loans to customer for their consumption needs.	Fixed/Reducing rate of interest varies from 24% to 36%
2.	LAP	Provides loans to customers for Property financial assistance against mortgage of residential (self-occupied, rented, vacant) and commercial properties.	Fixed/Reducing rate of interest varies from 12% to 24%
3.	Demand Loan	Financial Institution allows a customer to withdraw beyond the balance available in their checking account.	Fixed/Reducing rate of interest varies from 12% to 24%
4.	Education Loan	It is a short-term financing option that helps borrowers bridge the gap between their current financial needs and their future financial situation.	Fixed/Reducing rate of interest varies from 18% to 30%

### **Requirement:**

1. The interest rate range is indicative.

The interest rate range is an indication and the final rate is arrived basis the gradation of risk. Indicative interest rate as communicated above are subject to change at any point of time, subject to the sole discretion of the Company.

2. The pricing would inter-alia be based on due negotiation (where applicable) with the client and/or credit assessment parameters being followed by the Company.

### **7. Fees and Charges**

In addition to charging interest on the loans, the Company will also be levying fees and charges as applicable. Additionally, the Company will also collect stamp duty, service tax / GST and other cess as may be applicable from time to time. Any revision in these charges would be implemented on prospective basis with due communication to customers.

Applicable schedule of charges (wherever necessary) is available on the website of the Company.

### **8. Ownership of the Policy**

Head of NBFC Operations will be owner of this Policy and would be responsible for implementation of the Policy. Findoc Finvest Private Limited (FFPL) hereby authorizes HOD NBFC of the Company to review and make appropriate changes to the Interest Rate Policy from time-to-time basis the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products.

### **9. Communication of aspects of the Policy**

The company will communicate the effective rate of interest to customers at the time of sanction / availing of the loan through the acceptable mode of communication.

Interest rate model and schedule of charges (wherever necessary) would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company.

### **10. Review/Revision of the Policy**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendments) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.