

Interest Rate Model
Findoc Finvest Private Limited

Contents

1. Preamble.....	2
2. Objective.....	2
3. Approach for Gradation of Risk.....	2
4. Pricing.....	3
5. Floating Equated Monthly Instalments (EMI) based Personal Loans.....	4
6. Fees and Charges.....	5
7. Ownership Policy.....	5
8. Communication of aspects of the policy.....	5
9. Review/Revision.....	5

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 NBFCs 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**

Approach for Gradation of Risk: The decision to give a loan and the interest rate applicable to each loan account is assessed on a case-to-case basis, based on multiple parameters such as the type of the asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc. Such information is collated based on the borrower's inputs and field inspection by the company officials. The rate of interest is arrived at based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

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"> • The company raises funds from its lenders with both end use specified and/or unspecified which is against pool of receivables. • 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. • Company also needs to put some equity portion to run the business and the cost of such equity is taken into consideration. • 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.
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 these 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.	Margins	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.	Risk Premium	The company focuses on maintaining very high collection efficiency through investments in collections, technology and analytics.
5	Pre-tax ROA	Return on assets is the minimum return expected by the company on its assets.

5. For Loans:

Company lends money to its borrowers on fixed rate on reducing balance method depending on the nature of the product. The Company offers following products name Bridge Loans, Loan against Property, Digital PL and Business Loans (Secured/Unsecured).

Sr No.	Product	Offering	Annualized ROI generally charged to our customers
1.	Digital PL	Provides loans to customer for their consumption needs.	Fixed rate on reducing balance 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 rate on reducing balance varies from 12% to 24%
3.	Bridge 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 rate on reducing balance varies from 18% to 30%
4.	Business Loan (Secured/Unsecured)	Provides Loans to customers for their business requirements	Fixed rate on reducing balance varies from 12% to 36%

Requirement:

1. The interest rate range is indicative.

The interest rate range is an indication and the final rate 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.

7.a. Penal Charges/ Interest

In addition to the Processing Fee, the Company may also levy penal charges/ interest (as applicable), cheque bounce charges and other various charges as deemed fit. The Company will mention penal charges/ interest (as applicable) charged in bold in the loan agreement. With respect to levy of penal charges/ interest, in accordance with the RBI Circular dated December 29, 2023, the Company shall implement the following guidelines with respect to all new loans sanctioned/ disbursed with effect from April 1, 2024:

1. The penalty charged by the Company, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and it shall not be added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account, if any.
2. The Company shall not introduce any additional component to the rate of interest and ensure compliance in both letter and spirit.
3. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/ product category.
4. The penal charges in the case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
5. The quantum and reason for penal charges shall be disclosed by the Company to the customers in the loan agreement and KFS, in addition to being displayed on the Company website under Interest rates and Service Charges.
6. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

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.