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# INTEREST RATE POLICY

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SVAKARMA FINANCE PRIVATE LIMITED



## Purpose

Reserve Bank of India (RBI) vide its Circular DNBS PD/CC No.95/03.05.002/2006-07 dated May 24, 2007, advised that Board of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing, and other charges.

This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001 / 2008-09 dated January 2, 2009.

RBI further advised NBFC's to adopt an appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest.

With a view to institute fair and transparent dealings in the lending business, Svakarma Finance Private Limited (herein after referred to as the Company) has adopted and put in place the following Interest Rate Policy parallel to the company's Fair Practice Code, in accordance with the Master Direction - Non-Banking Financial Company – Non Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended and updated from time to time.

Keeping in view the RBI's guidelines as cited above, and the good governance practices being followed by the Company, the following internal guidelines, policies, procedures, and interest rate model have been adopted by the Company. The Board of Directors of the Company ("the Board") or any Board constituted Committee ("the Committee") as the case may be, while fixing interest rates chargeable from the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other authority from time to time.

## Establishing an interest rate

The interest rate applicable to a particular loan will be determined by reference to a number of factors including:



## 1. Benchmarking & Interest Rate Calculation Methodology

Eg which all external benchmarks are used to calculate the interest rates eg RBI Repo rate, GDP growth projections etc

## 2. Risk Based pricing model

Svakarma will on the basis of credit score, collateral value, and industry risk has established a risk-based pricing model which will be reviewed periodically as per change in industry dynamics/ management decisions or other factors. A baseline grid established within which Svakarma will lend is mentioned below, any deviations to the below will be as per management's discretion

Product	Interest Rate range	Processing fee
MSME	22-30% 26-30% for unsecured loans 23-25% for partially secured loans 22-24% for fully secured loans  The endeavour is to maintain a weighted average of 24-24.5%	Avg of 3% (was increased from 2.5% in Q1 FY 25)
RTS	18-23%	Avg of 2.5%
MSME LAP	18-22%	2% is the default rate

Based on this a minimum and maximum interest rate range is defined to prevent predatory lending practices.

The pricing structure shall comply with RBI's Fair Practice Code and not exceed a specified threshold above the cost of funds.

## 3. Tenor & Terms of the Loan

The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest (viz. monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment, extent of security provided etc.



## 4. Internal and External Costs of Funds

The rate of interest charged is driven by the rate of interest and other charges payable by the Company for the borrowed funds deployed in the business. The rate of interest charged to the customer also factors a fair return on capital employed for servicing the capital invested by the shareholders in the company.

## 5. Internal cost loading

The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower, costs incurred in sourcing and underwriting the particular borrower segment and other factors that affect the costs associated with a particular transaction should be taken into account before arriving at the final interest rate quoted to a customer.

## 6. Credit Risk

The cost of credit is an important component of the interest rate charged on the loans by the Company. The credit cost is determined by taking into account the degree of risk involved in the loan considering various factors like customer segment, the extent and nature of the collateral asset (if any), tenor of the loan in addition to general market conditions. The rate shall be the lowest for customers perceived as having lowest risk as compared to customers with a high risk rating for whom the rate of interest is likely to be the highest.

## 7. Other charges

Sr. No	Type of Fees	Charges	Grace Period	GST
1	Insurance premium	Only if applicable, actual expenses reimbursement	NA	NA
2	Processing charges	1 - 3% (case to case basis)	NA	18%
3	Legal expenses	Reimbursement of actual expenses incurred	NA	NA
4	Due-diligence charges	Reimbursement of actual expenses incurred	NA	NA
5	Valuation charges	Reimbursement of actual expenses incurred	NA	NA



6	Stamping charges	On actuals	NA	NA
7	Bounce cheque/NACH charges	INR 500 per instance	NA	18%
8	Late payment penalty	3% per month on overdue instalment	3 days	18%
10	Foreclosure charges	3% on balance principal being prepaid	NA	18%
11	Part prepayment charges	3% on part prepaid amount	NA	18%
12	Other charges	like non compliance of condition will be as per sanctioned conditions	NA	NA

The other charges grid is system driven and communicated to the customer during the initiation of loan and via welcome kit, any changes in these are also periodically communicated to the customers via specific modes I.e physical letters , SMS, E-mails or calls.

## 8. Other Factors

Matching tenor cost, market liquidity, refinance avenues, RBI Policies on credit flow, offerings by competition, market reputation, profile of the customers, stability in earnings and employment, subvention, and subsidies available, deviations permitted, further business opportunities, group strength, overall customer yield, nature and value of primary collateral securities, past repayment track record, external ratings, industry trends, switchover options.

## 9. Penal Interest / Default Interest

The Company may collect late payment charges for any delay or default in making payments of any dues or any other non-compliance of sanction terms and conditions. These late payment charges for different products or facilities would be decided by the Company from time to time and will be in line with regulations issued by the RBI from time to time. Further it is clarified that:

1. The penal/late payment charges will not be charged as additional interest but as penal charges along with any applicable GST. There will be no capitalization of these charges.
2. The penal charges levied to individual borrowers will not be higher than ones levied to corporate borrowers for similar non-compliance.
3. The terms and conditions under which penal charges will be levied and the rate of the same will not be discriminatory to a particular product or customer segment and be disclosed to the borrower in the sanction letter/loan agreement and also displayed on the website.



4. Payment reminders to borrowers will include applicable penal charges as well as the reason for charging the same.

## **Disclosures**

As per the extant regulations the following disclosures shall be made to the borrower:

1. There shall be appropriate disclosure of the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated in the sanction letter.
2. The annualized rate of interest shall be disclosed to the customers.
3. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.
4. The interest rate range for various products/class of assets as revised from time to time shall also be displayed on Company's website.
5. An approach for gradation of risk has been elaborated in our Fair Practice Code Policy. The link for Fair Practice Code Policy is <https://www.svakarma.com/uploads/pdf/fair-practice-code-all-language-final-version2023-1143014888.pdf>.

## **Administration, Amendment and Review of the Policy**

The Board or any Committee duly authorized by the Board shall be responsible for the administration, interpretation, application, and review of this Policy. The Committee shall also be empowered to bring about necessary changes to this Policy, as and when required subject to a review at least once every 6 months.