

INTEREST RATE POLICY
FINCFRIENDS PRIVATE LIMITED
VERSION 2

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1) Preface

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards 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 January 2, 2009 wherein RBI advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and gradations of risk and rationale for charging different rates of interest to different category of customer.

Keeping in view the RBI's guidelines as cited above, guidelines as amended from time to time, and the good governance practices, the Company has adopted the following internal guidelines, policies, procedures and interest rate model that have been adopted by Fincfriends Private Limited for its lending business.

These need to be taken cognizance of while determining interest rates and other charges, and changes thereto.

2) Methodology

The average yields and the rate of interest under each product is decided from time to time, giving due consideration to the following factors;

Cost of borrowing

- the Company may borrow funds through term loans/credit facility loans through banks or financial institutions.
- The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc. Weighted average cost of borrowing of such funds is taken for benchmark calculation of rate if interest.

Equity Infusion

- Equity is infused to run the business and the cost of such equity is taken into consideration.
- Maintaining the stakeholders' expectations for a reasonable, market-competitive rate of return is factor for determining the rate of interest.

Operating Cost

- It includes employee expenses, operations related fixed and variable costs, sales and marketing expenses etc.

Risk Premium

- Primarily the products offered by the Company are unsecured personal loans which are high risk products. The base risk premium is required to cover business related risks caused due to varying factors as described below.
- Nature of lending, for example unsecured/secured, and the associated tenure.
- Inherent credit and default risk in the business, particularly trends with sub-groups / customer segments of the loan portfolio;

- Nature and value of securities and collateral offered by customers
- Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, external ratings of customers, credit reports, customer relationship, future business potential etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered from other sources.

Miscellaneous Factors

- Subventions and subsidies available, if any
- Industry trends - offerings by competition

3) Interest rate policy for lending business

- The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers may not be standardized but could vary within a range, depending upon the risk profile of customer including other factors mentioned above.
- The Company shall disclose 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 communicate explicitly in the Loan Agreement.
- Interest rates or any other charges shall be clearly disclosed to the customers at the time of approval/availing of the loan and EMI apportionment towards interest and principal dues would also be made available to the customer. Customer consent shall be recorded on the loan agreement prior to disbursal.
- The rates of interest and the approach for gradation of risks shall also be made available on the web-site (www.rupeeredee.com)/ mobile app of the company. The information published in the website or otherwise published would be updated whenever there is a change in the rates of interest.
- The interest rates offered could be on fixed basis or floating / variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- Annualized rate of interest would be intimated to the customer
- Besides normal interest, the company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues.
- The Company shall mention the penal interest in bold in the loan agreement.
- The interest re-set period for floating / variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates
- Interest would be charged and recovered on a daily-basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.
- Interest shall be deemed payable on the due date as communicated and no grace period for payment of interest is allowed. However, the lender reserves the right to restructure the loan or extend the tenure upon customer request in which case the payment terms/schedule shall be revised.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

- Besides interest, other financial charges like processing fees, approval fee, service fee, late payment charges, pre-payment / foreclosure charges, extension fee, may be levied by the company wherever considered necessary. Besides the base charges, the GST and other cess shall be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.
- The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.
- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to the prospective and existing customers through the website. Prior to entering into an agreement with the customers, we provide them with the statement of charges and interest and address their queries and questions on the same, to their satisfaction.
- Claims for refund or waiver of such charges/ penal interest / additional interest would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

4) Review of the Interest Rate Policy

The Board hereby authorizes the Managing Director 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.

The Board of Directors shall periodically review and take note of the Policy and approve the implementation of this Policy framework across the product range of the Company.