SRINIDHI CREDIT PRIVATE LIMITED

INTEREST RATE POLICY

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POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND OTHER CHARGES

1. Background

Srinidhi Credit Private Limited (the "Company" or "SCPL") is a Non-Banking Finance Company and is an Investment and Credit Company "ICC" as per the classification of Reserve Bank of India.

As per Reserve Bank of India guidelines, Board of each NBFC shall approve an Interest rate model for the Company, 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. Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters issued to them. In framing this policy following directions issued by Reserve Bank of India have been considered-:

1. Guidelines on Fair Practices Code for NBFCs issued by RBI from time to time
2. RBI directions on foreclosure/prepayment charges

2. Objectives of the Policy:

1. Ensure transparency in respect of terms and conditions of the financial facility extended to the borrower by the Company.
2. Protect the customer from charging of excessive interest rates.
3. Put in place adequate policy, practices and procedures in determining the interest rates and processing and other charges.
4. Ensure that the business is protected against increasing cost of funds and volatility in interest rates.

3. Communication Framework:

SCPL shall communicate with its customers through appropriate modes, including email, physical letters, or SMS. At the time of disbursement, the Company shall obtain duly signed copies of the sanction letter and all other relevant loan documents from the customer, either electronically or in physical form.

The Company shall ensure transparent disclosure of all key terms and conditions, charges, and obligations to the customer. Such disclosures shall be acknowledged by the customer through signatures and initials on the relevant documents, in compliance with applicable RBI guidelines and internal policies.

- the amount of loan sanctioned along with the terms and conditions including annualized rate of interest. The interest rates offered on fixed, floating or variable basis.

- Details of the penal interest rates (expressed in percentage per month / annum as the case may be) and the charges payable by the customers in relation to their loan account and method of application thereof (penal interest charged for late repayment of loan would be mentioned in the loan agreement).

- In accordance with the RBI's Fair Practices Code for NBFCs, the Company shall communicate with customers through verifiable and traceable modes such as electronic mail, physical correspondence, SMS, or other electronic communication channels.Any change in the terms and conditions of the loan or any information material to the transaction, including the annualised rate of interest, shall be communicated to the customer in writing by way of an addendum or supplementary annexure to the agreement or term sheet. Such communication shall be made prior to the implementation of the change.All requisite formalities relating to such change, including execution of additional legal documentation, obtaining explicit consent of the customer, and certification by authorised officials of the Company, shall be duly completed and documented. A copy of the addendum or supplementary document shall be provided to the customer through electronic or physical means. The Company shall obtain and preserve acknowledgement of receipt of such communication from the customer, which may be in the form of signed documents, email confirmation, electronic acceptance, courier delivery proof, or system-generated audit trails. These acknowledgements shall be retained as part of the Company's records in compliance with RBI guidelines and internal record-keeping policies.

    - In line with the latest RBI guidelines, the Company shall not levy any prepayment or foreclosure charges on loans, including floating rate loans sanctioned to individual borrowers.

    - Interest rates on floating rate loans shall be reviewed and reset at predefined intervals in accordance with the benchmark movement and as disclosed to the borrower. Any upward or downward revision shall be communicated to the borrower with effect details.

4. Charging of Interest rates:

The interest rates are determined for each of the product of the Company. Interest rate applicable to the product depends on the following -:

- Customer risk i.e. the credit risk
- the operating expenses (fixed plus variable)

- Relationship with Borrower / Borrower Group
- Competitor/ market pricing
- Cost of Funds of the Company
- Negative carry on investments
- ALM Mismatch cost
- Secured and unsecured loans
- Nature and value of collateral Desired margins
- Strategic positioning

5. Interest Rate model

Loan assets created by the Company shall be priced primarily based on the market borrowing (cost of funds) and risks associated with the quality of the counterparty and their possibility of default. Cost of funds varies according to market conditions and, thus, the pricing of new loans is impacted by any change in the cost of funds. The loan assets are priced based on the borrowing rate corresponding to the maturity or tenor for which the asset is created.

The Company has adopted discrete interest rate model/policy. Rate of interest for the same product and tenor availed during the same period would not be standardized one but could be different for different customers.

It will be the prerogative of the business team to decide upon the commercial terms, and interest rates after due consideration of the following factors

- 'What if' pricing - The ability to provide multiple scenario prices, before the final structure is agreed.
- Break even pricing - The ability to provide a break-even price for a particular risk
- Bespoke (Risk adjusted) pricing - The ability to use the prevailing risk models to provide pricing for bespoke (unique) transactions.
- Client segmentation - The ability to recognize different client segments so that pricing could be adjusted accordingly.
- Asset class pricing - The ability to recognize different (and in some cases multiple) asset classes so that pricing can be adjusted accordingly.
- Spread & Fee - The ability to be flexible
- Regulatory & economic capital consumption/ return for each trade
- Other factors

    - financial profile,
    - networth,

- collateral security,
- past repayment track record of the customer.

The interest rate band for each loan product would be decided by Board of Directors or such Committee designated by the Board.

Incase deemed fit the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.

Base Rate and Net Interest Margin

- In order to arrive at a proper basis for arriving at the cost of borrowings / funds / resources a suitably calculated 'base rate' shall be developed keeping in the weighted average cost of borrowings, interest paid on liability products (Overdraft /Non Convertible Debentures) and return on equity capital. Interest rate on loans shall be based on the 'base rate' so that scope for interest rate mismatches is minimized.
- The base rate shall not be less than 12%.
- The NIM (Net Interest Margin) shall be calculated over the 'base rate' so calculated to arrive at the lending rate.
- The NIM shall be capped at 24% (2400 basis points) over the 'base rate'.
  Lending at or below the 'base rate' shall be done only for short term promotion of business either for a specific loan scheme or a product.
- Total amount of loans with Lending at or below the 'base rate' shall not exceed 10% of the total loan portfolio.

Late interest, Fees and Other charges

- Besides the normal interest, the Company may collect penal charges for any delay or default in making payments of any dues, processing fees, origination fees, cheque bouncing charges, legal charges, cheque swap charges, security swap charges, charges for issue of additional loan account statements etc. would be levied by the Company wherever considered necessary.

- All processing fees, other charges recovered are expressly mentioned in the Loan documents / sanction letter. The practice followed by the competitors in the market would also be taken into consideration while deciding charges on case to case basis.

- No claims for refund or waiver of charges / penal charges would normally be entertained by the Company but it is at the sole discretion of the Company to deal with such requests if any from the Borrowers.

- Penal charges refer to charges over and above normal interest rates/ fees, levied for default by the borrower in complying with the terms on which credit facilities were sanctioned. However, this will not affect the normal procedures for compounding of interest in the loan account. Penal charges (income) will be recognized in the Profit and Loss account on collection, except in the case of charges levied on non-performing assets, which is recognized as income on receipt basis. Further, Penal charges, along with interest and principal to be included for SMA reporting. Penal charges will be in addition to the foreclosure charges incurred by the Company due to prepayment of any loan facility will be levied to customers in case of pre-payment. The quantum and reason for penal charges as documented in this policy shall be clearly disclosed to the customers in the loan agreement and sanction letter & Key Fact Statements, as applicable, in addition to being displayed on Company's website under Fees & Charges. Any change in Company's policy (on account of change in regulation or otherwise) will be communicated to the borrower and the same will be applicable from the date of issue of such revised policy.

  Other Service Charges include:
  a) Acquiring or Sourcing Charges like Processing Fee, Legal or Technical Fees
  b) Charges during Pendency of loan like ACH/Cheque Bounce Charges, Account Swap charges.

  The detailed list of charges are disclosed in Loan policy of SCPL

6. Review of the Policy

This Policy shall be reviewed by the Board once in a year or in between as and when any changes are required in the Policy. Any changes or modification in this Policy as recommended by the Asset/Liability Committee ('ALCO') which is also monitoring the ALM shall be presented to the Board for approval.

7. Record Keeping:

The Company shall maintain adequate records, including documentation supporting the determination of interest rates, records of disclosures made to customers along with their acknowledgements, and complete audit trails evidencing all changes, approvals, and revisions in interest rates and related terms**.**

8. **Customer Grievance Redressal**

Any grievance relating to interest rates or charges shall be handled in accordance with the Company's Grievance Redressal Mechanism.

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