SAMUNNATI FINANCIAL INTERMEDIATION & SERVICES PRIVATE LIMITED (Company)	
POLICY	Interest Rate Policy
Reviewing Authority:	Board of Directors of the Company
Approving Authority:	Board of Directors of the Company
Date of Approval for Version 1.0	September 25, 2017
Version No.	7
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Review Cycle:	Annually or as recommended by the Board of Directors

Introduction

As per Master Direction DNBR.PD.008/03.10.119/2016-17 dated December29 02 ,2022 issued by the Reserve Bank of India (RBI), the Board of Directors of Non-Banking Finance Companies are advised to lay down the appropriate internal principles and procedures in determining interest rates, processing fee and other charges and shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

Interest Rate

The rate of interest shall be determined based on the internal cost of funds, administrative costs, competitors offering, relationship vintage with customer etc. Besides the cost of funds, the interest rate shall further be determined based on inherent credit and default risk in the products, customer profile, past repayment track record, customer segment, market reputation, nature and value of security offered (if available), external customer ratings etc.

The Company has adopted a risk-based approach for client classification for determining applicable rates of interest, that differ for each client, primarily based on risk factors such as entity structure, industry, net worth of borrower, leveraging, and nature of proposed loan. Hence the Company may charge different rates of interest for the same product and tenor availed during the same period by different customers, depending upon considerations of any or combination of a few or all factors listed aboveThe rate of interest shall be fixed, and an annualized rate shall be communicated to the borrower.

The interest rates charged by the Company shall be based on the parameters as defined in Annexure-1.

Risk Premium

The Risk Premium of the customer shall be factored keeping in mind the inherent credit and default risk in the product and customer per se arising from customer segment and shall be based on the following factors: -

Industry risk

- Entry barriers, Competitive levels, Regulator's support, Industry cyclicality

Business Risk

- Asset quality, Product concentration, Customer concentration, Supplier concentration resource profile etc of the borrower.

Management Risk

- Corporate governance, integrity and competence of the promoters, track record of the management team, composition of the board etc.

Financial Risk

- Capital Structure, Profitability, Liquidity etc of the borrower

Product Premium

- Depends on nature and risk associated with the product.

Collateral offered by the customer

Interest rate trend in the market

Extra ordinary market conditions, if any.

Maintaining stakeholders' expectation for a reasonable and market-competitive rate of return.

The Board of Directors of the Company shall review the Interest rates on such periodicity as may be deemed necessary and modify the same depending upon the market trends.

Internal rating to be carried out for all AE clients. Accordingly, Pricing to be aligned with the MCLR/Pricing matrix shared by the treasury team periodically.

Respective Group Business Head/Executive Director is empowered to authorize a lower pricing as per the Board approved Credit Policy.The interest rates shall be determined based on

a. Risk profile of the customer – assessment of quantum and periodicity of cashflows of the customer
b. Risk premium keeping in mind the inherent credit and default risk in the product and customer per se arising from customer segment
c. Nature and value of primary and collateral securities
d. Past repayment track record of customer
e. External rating of the customers and credit bureau report
f. Industry trends
g. Tenor of customer relationship
h. Offerings by competition
i. Pricing Approach

Processing Fee/Upfront Fee/Credit Monitoring Fees

Feesshall be determined by the respective Business Head/based on the quantum of work involved in credit appraisal, reference checks with Credit bureaus, volume of documentation involved, other incidental expenses involved in the transaction and negotiation with customer.

The Credit Committee of the Company may from time to time review the guidelines for charging Fee.

On-boarding Fee/Documentation fee

The Company charges on-boarding charges / documentation charges from borrowers for all Loan products in line with the credit policy of the Company. Prior to entering into an agreement with the customers, our loan officers ensure that charges and rates of interest are explained clearly and transparently to the customers on-boarded.

Further in line with the RBI guidelines, the Company shall ensure the following:

- Interest rates shall be intimated to the customers at the time of sanction or availing the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.

- Interest shall be charged on monthly rest basis, however repayment of interest shall be in line with the sanction conditions.

- Interest charges would have prospective effect. Any change in the interest or other charges shall be communicated to the customers as per the terms of the loan documents

- The rate of interest and the approach for gradation of risk and the rationale for charging differential rate of interest to different categories of borrowers shall be communicated explicitly in the loan sanction letter.

- Annualized rates of interest shall be disclosed in the loan sanction letter.

- The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company or published in the relevant newspapers. The information published on the website or otherwise shall be updated for changes wherever applicable.

- The change in the interest rates shall be decided at any periodicity depending on market volatility and competitor review.

- In case of multiple disbursements in respect of the same loan account, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.

- The Company shall levy penal charges for any delay or default in repayment of principal/interest due or any other default of the terms of the sanction. The Penal charges shall not be capitalized and no further interest shall be computed on such charges. The Company shall mention the penal charges in bold in the Loan sanction letter and agreement.

- In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date, however not later than June 30, 2024.

- The Quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable and the same shall be appropriately displayed in Samunnati's website.

- 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.

- The penal charges in 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.

- The amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof shall be conveyed in writing to the borrower (by means of sanction letter) in vernacular language wherever applicable. Also, keep the acceptance of these terms and conditions by the borrower on its record.

- Penalties charged for late repayment should be mentioned in bold letters in the loan agreement.

- In addition to interest, other financial charges such as processing fee, aggregator on-boarding fee, loan documentation fee, pre-payment / foreclosure charges, cash handling charges, RTGS/other remittance charges, charges towards other services such as issuance of No Due certificates, NOC, Letters ceding charge on assets / security, security swap and exchange charges etc. shall be levied by the Company wherever considered necessary.

- In respect of the other financial charges, Goods and Services Tax (GST) and other applicable taxes would be collected at applicable rates from time to time. Any revision in these charges shall be with prospective effect. A suitable condition in this regard shall be incorporated in the loan agreement.

Discretionary Powers

1. The current penal charges is at 4% p.a. The Group Business Head/ Executive Director shall have the discretion to decide the penal charges. However, any changes to penal charges will be applicable across all client segments.

2. The Group Business Head / Executive Director shall have the discretion to reduce / waive the penal charges and other financial charges on case to case basis in line with the Board approved Credit Policy and prevailing industry practices.

3. The interest and other charges in respect of the loan products offered by the Company are indicative and the Group CFO and Executive Director shall reserve the right to change the same from time to time in line with the existing credit policies of the Company and the changing market conditions.

Annexure-1

Pricing framework for loan proposals

Objective – With a view to protect the organisational interests in terms of appropriate pricing to safeguard its profitability goals and also to protect the customer interest keeping in line with Samunnati's fair practices code and ensuring no discriminatory treatment to customers with respect to pricing is adopted , the following pricing policy framework shall serve as the basis for pricing of individual proposals

Pricing of the loans are based on following parameters:
Marginal Cost of Fund Based Lending Rate (MCLR) methodology to assess & price any loan asset financed by Samunnati Financial Intermediation & Services Pvt Ltd.

Key Factors taken into consideration for MCLR Calculation

1. Average Cost of borrowings
2. Cost of Operations including Cost of Carry for buffer funds.
3. Cost of Risk
4. Tenor Premium
5. Return on Net Worth
6. Credit Risk Premium (Associated with internal Risk grading of the customer)

Details on Components

1. **Weighted Average Cost of Capital (WACC):** It is calculated as average cost of Samunnati's debt maturing within a tenor bucket. In case of mismatches in any bucket (debt maturities < Advances maturity in a particular bucket) weighted average cost of debts maturing in the subsequent higher tenor bucket is factored in till the mismatches are balanced.
2. **Cost of Operations**: This includes attribution of over-head cost (Man power deployed directly for business, Man power deployed for supporting functions incurred by business verticals and other administrative & infrastructure maintenance costs.This also include negative carry on stipulated buffer maintained by treasury. Cost has been allocated in proportion to AUM contribution by respective business verticals ie : Farmer Network & AE.
   Number needs to be recalibrated once in every 6 months.
3. **Cost of Risk :** Write off reported by respective business verticals. Number to be calibrated every month based on data issued in previous month.
4. **Tenor Premium:** The proxy value for various tenors has been derived from the latest MCLR/ Bank Prime lending rate of various banks – IDFC/Axis/SBI. Currently following IDFC Regime.

A summation of the above parameters is termed as Fund Transfer Price (FTP)

5. **Return on Net Worth**: Tier 1 capital reported in previous month MIS is considered for calculation. Return expectation has been assumed at 18%. This portion carries a weightage of 20% in overall MCLR pricing regime.

6. **Credit Risk Premium**: Internal Credit Rating regime followed by Farmer Network (FN) & Agri Enterprise (AE) need to be considered. Risk weightage for respective risk buckets need to be reviewed & re calibrated on a Bi-annual basis

Calculations:

- FTP for respective tenors = Weighted Average Cost of Capital (WACC) for respective buckets + Cost of Operations + Cost Of Risk + Tenor Premium

- Bench Mark Prime Lending Rate = FTP for respective tenors + Return on Net Worth Requirement + Credit Risk Premium of the customer.

Assumptions

1. As majority of Loan book generated by SAMFIN would be having a tenor of less than one year with revolving nature, all such facilities with revolving nature offered to a customer (STL/ARF offered to any Farmer Network or Agri enterprises) for meeting regular working capital requirement will be linked to one year MCLR.
2. One year MCLR in above case will be calculated based on WACC for one year.
3. All other NON revolving cases will be linked to nearest MCLR bucket price.

The pricing policy for various customer segments for the period April 1st, 2023 till 31st March 2024 is enclosed herewith..

Customer segment wise Pricing policy for the period April 1st, 2023 till 31st March,2024

1. **Agri Enterprises Loans**

Customer Risk Profile	Card Rate
Low risk	18% p.a
Medium Risk	19% p.a
High Risk	20% p.a

PROCESSING FEE: Up to 3% of the sanctioned amount. Any deviations to the above shall be approved by the GBH.

Customer risk profile shall be evaluated based on the internal scoring model & shall be submitted to Management Level Risk Committee for review.

2. **FC- AC segment pricing**

Customer Segment	Card rate
B-B-C	26% p.a
B-B	20% p.a
B-B (BC model)	26% p.a

Processing fee of 3% shall be applicable on the sanction amount for all customer segments. Any deviations to the above shall be approved by the GBH.

3. **FC - WCTL segment pricing**

All FC-WC cases shall be priced at minimum 14% & the processing fee of 2% shall be applicable on all type of loans. Any deviations to the above shall be approved by the GBH.

Terms and conditions

1. The above prices are card rates which shall be quoted to customers.
2. Any deviations on the above shall be approved by the Group Business Head/Executive Director.