

SATRA DEVELOPMENT FINANCE
PRIVATE LIMITED

PRICING OF LOAN POLICY

REVIEWED AND APPROVED IN THE
BOARD MEETING HELD ON 16 MAY 2024

SATRA DEVELOPMENT FINANCE PRIVATE LIMITED

PRICING OF LOAN POLICY

- **Background**

As per Reserve Bank of India (RBI) Circular RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/ 2021-22. dated March 14, 2022, the Board of each NBFC shall approve an Interest rate model for the Company, considering relevant factors such as cost of funds, margin, risk premium etc., and determine the rate of interest to be charged for loans and advances. Further, the directives state that the rate of interest the approach for gradation of risk, and the rationale for charging different rates of interest for different categories of borrowers should be communicated to the borrowers/customers in the sanction letters.

The Board of Directors of Satra Development Finance Private Limited in its meeting held on 16th May 2024, has reviewed this revised interest rate model and adopted this pricing of loan policy of the company.

- **Objectives of the policy**

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

- **Review of Policy**

The Policy shall be reviewed once a year or in between if required due to changes required in the model; for example, any addition/deletion of a particular component forming part of benchmark calculation.

- **Organization Structure - Board of Directors**

The Board of Directors shall have oversight for the pricing of loan policy.

The Board at this moment authorizes the Managing Director to review and make appropriate changes to the loan Policy on a time-to-time basis.

The interest re-set period would be decided by the company from time to time.

The features of the policy to stand auto corrected with directives/ guidelines if any from RBI from time to time.

Company shall prominently display the interest rates charged on microfinance loans in all its offices

- Interest rate Model

The Company lends money to its customers through Fixed and floating-rate loans. Satra Development Finance Private Limited being a registered NBFC-MFI benchmarks its Interest Rate model as follows:

- Average cost of borrowing: The Company borrows funds through term loans from the Banks and Financial Institutions. The average cost of borrowing such funds is taken for the benchmark calculation.
- Operating Cost: It includes employee expenses, branch-related fixed and variable costs, operations costs, sales and marketing expenses.
- Risk Premium: Base risk premium to cover business-related risks.
- Base ROA: Base Return on assets is the minimum return expected by the company on its assets.

Average cost of borrowing (A)	12.30 %
Operating cost (B)	7.15 %
Risk Premium (C)	1.5 %
Base ROA (D)	2.0 %
Final Benchmark rate {Sum (A to D)}	23.0 %

- Principles and procedures for charging spreads to calculate final rate

The company being a registered NBFC-MFI has only one type of portfolio, i.e. Micro Finance Loans. The Final rate of interest on loans depends on the schemes under which the company raises its funds from financial institutions. In case of lending agency proving low cost fund with clause to charge interest rate lower than prevailing interest rate and to transfer the benefit of low interest rate to borrowers, the company may charge interest rate lower than the prevailing interest rate.

The rate of interest for the same product and tenure availed during the same period by different customers need not be standardized. It could vary for different customers depending upon consideration of any or a combination of the following factors:

- Interest rate risk (fixed vs floating loan)
- Profile of the borrower
- Repayment track record of the borrower
- Subvention available
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer Indebtedness (other existing loans)

- Late payment, advance payment, additional charges and penalty
 - Besides normal interest, the company may levy additional / penal interest for delay or default in making payments of any dues. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount. These additional or penal interests would be decided and communicated during the business agreement with the customer.
 - No interest is payable on Advances/Excess payment made by Customer. There shall be no pre-payment penalty on microfinance loans.
 - No claims for refund or waiver of such charges/ penal interest / additional interest would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.

- Other Charges
 - Besides interest, the company also collects processing fees at the rate of 1 (one) percent, from the borrowers, on all the loans disbursed. Any revision in these charges would be from prospective effect. GST will be levied according to applicable rate.
 - Insurance Premium will be taken on actual basis as given by concerned insurance company.

- Communication Framework
 - Interest rates would be intimated to the borrowers at the time of sanction/availing of the loan.
 - The Interest Rate Policy 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 website of the Company.
 - Changes in the rates and charges for existing customers would also be communicated to them through either mail, letter, or SMS.