



Vreedhi Financial Services Private Limited

Interest Rate Model Policy

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PREAMBLE:

In view of Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, Reserve Bank of India have directed all applicable NBFCs to 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. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest. The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

OBJECTIVE:

While the Interest Rates are not regulated by the Reserve Bank of India but interest rates beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to principles of fair business code. Therefore, the board through this policy has laid down appropriate internal principles and procedures in determining the range of interest rates and processing and other charges, that shall be applicable to various customers.

INTEREST RATE MODEL:

- Vreedhi Financial Services Private Limited (hereinafter referred to as “Vreedhi”) has its own model for arriving at interest rates taking into consideration among other things Vreedhi’s weighted average cost of funds, un-allocable overheads and other administrative costs which is further adjusted for ALM mismatch.
- This rate shall be reviewed by Board or such authority where the powers are delegated by the Board.
- The rate of interest for loans for various business segments and various schemes (if applicable) thereunder is arrived at through Vreedhi’s interest rate model, cost on account of risk and tenor, premium for the concerned business segment, cluster risks, business specific operating cost and margin is added to arrive at the lending rate.
- The final lending rate for various products offered by Vreedhi will be arrived at after taking into account market reputation, interest, credit and default risk in the related business segment, historical performance of similar homogeneous clients (if available), profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, subventions (if available), deviations permitted, future potential, group strength, overall

customer yield, nature and value of primary and collateral security, etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.
- The present interest rates would be offered on diminishing (reducing balance method) which could vary between twenty two and twenty nine percent, from product to product.
- The interest would be charged on monthly/fortnightly/weekly, rests as per the product and segment
- Interest rates / interest type would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- Besides normal interest, the company may levy additional / penal interest / charges for delay or default in making payments of any dues. These additional or penal interests / charges for different products or facilities would be decided by COO or Product Head or Policy Head.
- Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and the manner deemed fit.
- Besides interest, other financial charges like insurance fee, processing fees, application fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, charges for issue of statement account etc., if any, would be levied by the company wherever considered necessary. Besides these charges, stamp duty, GST and other cess would be collected at applicable rates from time to time as communicated in the documentation provided. Any revision in these charges would be have a prospective effect and will be communicated with the borrower.
- While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.



- Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by Vreedhi and it is at the sole discretion of the Vreedhi to deal with such requests.
- Any revision in the Vreedhi's interest rates applicable to business would be reviewed by the Board or such authority where the powers are delegated by the Board.

COMMUNICATION TO CUSTOMERS:

The Company shall intimate the Borrower the annualized Rate of Interest at the time of sanction of the loan along with the tenure and amount of monthly installment. The customer shall also be informed about the Interest rate policy and that he can visit the company website for further details. The company shall follow the guidelines mentioned in the Fair practice code guidelines as issued by RBI from time to time and as adopted by the company through its FPC policy.

MONITORING AND REVIEW:

The Company has formed a committee of executives called 'Interest Rate review committee' to review the interest rates based on the parameters as above. The committee shall have a review at the beginning of every quarter to decide the interest rates for that quarter.

The Committee shall comprise of the following members –

- a. Executive Director
- b. Chief Operating Officer
- c. Head - Finance
- d. Head – Credit/Credit - HO
- e. Head – Business/Sales/Product

The Committee may be performing following duties –

- a. Formation of Interest Rate Policy
- b. Amendment of Interest Rate Policy
- c. Quarterly review of Interest Rates & Policy

Any changes to the Pricing and Risk premium range shall be approved by Board or Interest Rate Committee (if formed).

Any changes to the Interest Rate policy shall have to be approved by the Board.

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