
Interest Rate Policy

Overview

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013 have directed all NBFCs to make available the rates of interest and the approach for gradation of risks on the website of the NBFCs. In lines with the regulatory requirements the **Interest Rate Policy was adopted by the Board of Directors on 29th June 2019** . The company has been currently lending at standard card rates across for secured and unsecured products with deviations being approved by MD& CEO and Executive Director on a case to case basis. Given that the company deals in multiple product offerings coupled with various assessment methods and accepts various types of collaterals it is proposed to roll out a standard risk-based pricing grid. The overall pricing has been arrived at basis :

I. **Interest Rate Model**

The business model of Arthan Finance focuses on providing credit to customers meeting the credit appraisal norms for varying tenors. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

- a. **Tenor of the Loan & Payment Terms:** The aspects like the tenure of the loan, terms of payment of interest, terms of repayment of principal, moratorium period etc. are taken into account.
- b. **Cost of borrowing:** The prevailing cost of borrowing applicable for the company to achieve a complete matching of assets and liabilities. The company's borrowings are expected to be a mix of fixed rate as well as floating rate borrowings while all its loans to clients are expected to be on fixed rates. The pricing factors in the risk associated with this.
- c. **Portfolio Risk:** The portfolio risk is factored based on the type and inherent nature of loans that the company gives, the risk profile associated with this client segment, tenure of relationship with the client, past experience including repayment track record and overall management's assessment.
- d. **Cost of operations:** The cost of operations includes manpower cost, infrastructure cost and other administrative costs. Most of these costs are fixed costs and are committed based on budgeted volume of operations. Since these costs come down with increasing volumes and efficiencies, the pricing factors the estimated cost over a reasonable period. Also, other factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer. As a philosophy, the company will charge clients fixed assuming a steady state operation. Thus, the high operating

- cost in the initial stages of start-up and cost of growth would be borne by the shareholders, till the company attains size and scale.
- e. **Profit Margin:** The profit margin is fixed based on the reasonable return expected by the shareholders and the risks involved. The profit margin is arrived at keeping in mind the need to attract fresh capital to sustain growth and benchmarked with comparable companies.
 - f. **ALCO View & forecast of market interest rates:** Views of the Asset Liability Management Committee (ALCO) on loan product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration. The forecasts and analysis of 'what if' scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged. The lending rate as well as the fees charged is fixed, considering the sustainability of various factors and it is reviewed periodically by the Asset & Liability Management Committee
 - g. **Prevailing market practices:** The fees and other charges applicable will depend on the market practices and the cost of providing such services
 - h. **Communication to the customer:** The Company intimates the borrower regarding the loan amount, annualized rate of interest, insurance premium, processing fees, penal interest for delayed payment, cheque bounce charges, tenor of the loan and repayment schedule including instalment amount at the time of sanction/disbursement of the loan. 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. Any revision in interest or other charges would be only with prospective effect.

II. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- a. Business risk, industry risk, market position, market reputation, vintage of the business, competition
- b. Size and nature of the business, geographic location of the borrower
- c. Inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed
- d. Customer profile, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment and historical performance of our similar clients
- e. Nature and value of primary and secondary collateral / security and the loan to value
- f. Type of asset being financed, end use of the loan represented by the underlying asset
- g. Default risk in the business segment
- h. In case of renewal, tenure of relationship with the borrower and the past repayment track record,
- i. Regulatory stipulations, if applicable,
- j. and any other factors that may be relevant in a case.

Pricing Grid

In lines with regulatory requirements and the approach mentioned above to determine the pricing of loans, the floor pricing of the loans are being proposed basis the risk category of the customer as below. This policy will be applicable with immediate effect and any changes to this policy can be done at ALCO committee going forward and annual review of board.

Particulars	Unsecured	Quasi	Perfect Secured
Loan amt. (In lakhs)	1 to 3	1 to 7	1-20 lacs
Tenure	Up to 3 years	Up to 5 years	Up to 7 years
PF	2.50%		

Proposed Pricing Grid				
Profile and Property Type		Security	ITR/Financials, BS, GST/Turnover Method	BILL,NIP and any other method
Development Authority (Municipal Corporation)	Residential and commercial and liquid security	Secured	23%	24%
	Industrial/Plot/Others	Secured	25%	26%
Nagar Parishad/ Gaothan/ Gram Panchayat/Gunthewari	Residential and commercial	Secured	25%	26%
	Industrial/Plot/Others	Secured	26%	27%
Unsecured Loan (Rate of Interest)	29%			
Deviation in Rate of Interest (ROI) and Processing Fees (PF) include secured and unsecured	<ol style="list-style-type: none"> 1. State Business Manager approval - ROI upto 0.5% and PF 0.25% 2. National Sales Manager (NSM) - ROI upto 1% and PF 0.50% 3. Chief Business Officer (CBO) - ROI upto 2% and PF 1.00% 4. ED / CFO and Head Risk (upon recommendation from CBO)- ROI upto 3% and PF 1.50% 5. MD & CEO – <ul style="list-style-type: none"> • Anything over and above not mentioned in the deviation. • Any waiver/reduction in charges mentioned in our approved SOC. 			

Note :- Additional ROI of 1% and 2% for Quasi property and property covered under Negative Lien respectively as per above table.

Schedule of Charges

Transparency is one of the core values of Arthan Finance and Arthan believes communicating charges related information with the customer upfront and in a transparent manner. To do so, the schedule of charges has been designed and put before the board for approval. This policy will be applicable with immediate effect and any changes to the SoC can be approved jointly by CBO, ED and MD& CEO going forward.

Particulars	Applicable charges*
ON APPLICATION	
Application fees (IMD) - Non-refundable	1500/-
Stamp Duty Charges & MOE Charges	On actuals
ON DISBURSEMENT	
Processing fees (In case BT - PF to be collect by way of DD/NEFT/IMPS/UPI upfront)	2.50% of loan amount
CERSAI charge creation	Rs. 50/- for loans < Rs. 5 lacs and Rs. 100/- for loans > Rs. 5 lacs
Legal search (for 13 yrs) and valuation charges	Rs.3000/- for Odisha state Rs.3500/- for Maharashtra state
Legal Handling Charges (only in Balance Transfer)	Rs.1500/-
Subsequent Valuation Charges (in case applicable)	Rs.500/-
Document verification Charges (RCU)	Rs.750/-
Document Handling Charges (Applicable only secured loans)	0.1% of Loan amount (rounded off to nearest multiple of 50) or Rs.1000/- whichever is higher
ROC Lien updation Charges (where applicable)	Rs. 2,500/-
DURING THE TERM OF LOAN	
Loan Cancellation charges	2% of sanction loan amount or Rs.5000/- whichever is higher.
Loan Rebooking charges	Rs. 2500/-
PDC/ ECS/ NACH Dishonor Charges (if collected within 15 th of the month)	Rs.500/- for loans up to 10 lakhs Rs.750/- for loans more than 10 lakhs
PDC/ ECS/ NACH Dishonor Charges (if collected after 15 th of the month)	Rs.750/- for loans up to 10 lakhs Rs.1250/- for loans more than 10 lakhs
Default/Penal interest for delayed payment	36% p.a of outstanding EMI/Interest overdues

Field Collection Charges	Rs.350/- per visit
Cash Collection Charges	Rs.350/- per visit
Recovery (Legal / Possession and Incidental Charges)	On Actuals
Repayment Swapping charges (ECS/PDC/NACH)	Rs.500/-
List of Documents Retrieval Charges (LOD charges)	Rs. 1000/- per instance
Copy/Original of Property Papers Retrieval Charges	Rs.1000/- per Instance
Property release charges	1000/- per property
Collateral swap charges	1000/- per property
Any other legal opinion / charges	As per actual
PREPAYMENT CHARGES	
Pre-payment/Foreclosure is not allowed in first 12 Months EMI from the date of last disbursal	
Pre-part payment charges	3% of amount paid
Loan EMI reschedule charges due to part payment	1000/-
Foreclosure charges	4% of principal outstanding
Duplicate NDC / NOC	Rs.500/-
Note--All charges stated herein are exclusive of G.S.T., Other government taxes and levies as applicable from time to time. All Charges stated above are subject to change at the discretion of ARTHAN FINANCE Private Limited.	

Disclosure on the website: Appropriate disclosure regarding this Interest Rate Policy and the schedule of charges shall be made on the Company website.

The Interest Rate Policy has been reviewed and adopted by the Board of Directors on 9th March 2020 and shall come into force with immediate effect. The same shall be reviewed annually or as and when necessary by the Company's Board of Directors.