
Interest Rate Policy

Version Number	Prepared by	Approval Date	Version Details
1.	Amit Bhuta, Finance and Accounts	29.06.2019	Initial Policy
1.1	Amit Bhuta, Finance and Accounts	09.03.2020	Annual Review
2	Amit Bhuta, Finance and Accounts	03.06.2022	Amendments



Interest Rate Policy (Version 2)

Overview 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.

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/ Executive Director or Chief business officer as per delegation decided by ALCO 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:

1 Interest Rate Model

The business model of Arthan Finance focuses on providing credit to customers meeting the credit appraisal norms for varying tenors. Interest rate offered to the customers may be on fixed or floating rate basis. 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 and other charges if any, tenor of the loan and repayment schedule including instalment amount at the time of sanction/disbursement of the loan. The details of penal interest charges will be mentioned in bold in the loan agreement and sanction letter. 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.

In case of staggered disbursements, the rate of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursement or as may be decided by the Company.

Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment charges, commitment fees, charges on various other services like issuing no due certificates, no objection certificate, letters ceding charge on assets/ security etc. would be levied by Arthan wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

Claims for refund or waiver of charges/ penal interest/additional interest would normally not be entertained by Arthan. It is the sole and absolute discretion of Arthan to deal with such requests, if any

2 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.

3 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 including releasing of product wise, state wise and distribution channel wise pricing grid wise going forward and annual review of board. At present the annualized rate of Interest* to be charged to customers, at the time of sanctioning loans, shall be in the range as mentioned below

Parameters	Secured Lending	Unsecured Lending – Pragati & Unnati Loans / Digital Lending or any other loans	Supply Chain Finance
Loan Amount	Upto 20 Lakhs	Upto 3 Lakhs	Upto 20 Lakhs
Tenor	Upto 7 Years	Upto 3 Years	Upto 180 days
Range of Interest Rate (Fixed Rate)	22%-27%	24%-36%	18%-30%
Processing Fees	Upto 2.50%		
ROI Upper Cap	28%	36%	36%

**in exceptional circumstances, based on risk perception, the may fall outside the indicated range*

4 Review / Modifications

This policy shall be reviewed on a periodic basis as and when statutory requirements or management decision and depending on requirements, the reviews may be done at shorter intervals. Any changes in the policy except as required by legal and regulatory changes shall be made with the approval of the Board/ Management Committee.

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 3rd June 2022 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.

Annexure I: - For Secured and Balance Transfer (BT) Loans

Type of Transaction	Charges
ON APPLICATION	
Application fees (IMD) – Non-refundable	₹1500/- (if paid through digital medium) ₹1650/- (if paid through cheque)
Stamp Duty Charges & MOE Charges	On Actuals
FROM DISBURSEMENT	
Processing fees (In case BT — PF to be collected by way of DD/NEFT/IMPS/UPI upfront)	2.50% of loan amount
CERSAI charge creation	₹ 50/- for loans < ₹ 5 lacs and ₹ 100/- for loans > ₹ 5 lacs
Legal search (for 13 years) and valuation charges	₹ 3000/- or Actuals for Odisha state ₹ 3500/- or Actuals for Maharashtra state ₹ 2500/- or Actuals for Andhra Pradesh state
Legal Handling Charges (only in Balance Transfer)	₹ 1500/-
Subsequent Valuation Charges (in case applicable)	₹ 500/-
Document verification Charges (RCU)	₹ 750/-
Insurance	Entire loan amount should be covered with tenor
ROC Lien updating Charges (wherever applicable)	₹ 2,500/-
DURING THE TERM OF LOAN	
Statement of account	₹ 200/-
Loan Cancellation charges	2% of sanction loan amount or ₹ 5000/- whichever is higher.
Loan Rebooking charges	₹ 2500/-
PDC/ ECS/ NACH Dishonour Charges (if collected within 15 th of the month)	₹ 500/- for loans up to 10 lakhs ₹ 750/- for loans more than ₹ 10 lakhs
PDC/ ECS/ NACH Dishonour Charges (if collected after 15 th of the month)	₹ 750/- for loans up to ₹ 10 lakhs ₹ 1250/- for loans more than ₹ 10 lakhs
Field Visit Charges for follow up, collection of documents, overdue collection etc.	₹ 350/- per visit
Cash collection and handling charges	₹ 350/- per instance
Recovery (Legal / Possession and Incidental Charges)	On Actuals
Repayment Swapping charges (ECS/PDC/NACH)	₹ 500/-
List of Documents Retrieval Charges (LOD charges)	₹ 1000/- per instance
Copy/Original of Property Papers Retrieval Charges	₹ 1000/- per Instance
Property release charges	₹ 1000/- per property
Collateral swap charges	₹ 7500/- per property
Loan rescheduling Charges	₹ 500/- per rescheduling
EMI Due Date Every Month	4 th of every month.
Any other legal opinion / charges	As Per Actual

Type of Transaction	Charges
PREPAYMENT / FORCLOSURE CHARGES	
Pre-payment/Foreclosure is not allowed in first 12 Months EMI from the date of last disbursal	
Pre-closure Letter/ Closure Letter/Foreclosure Letter/Statement of Account (SOA)Amortization Letter/ Any other type of Statement or Letter	₹ 500/- per instance will be charged for each subsequent request.
Pre-part payment charges	4% of principal outstanding
Default/Penal interest for delayed payment	36% p.a of outstanding EMI/Interest overdues
Loan EMI reschedule charges due to part payment	₹ 1000/-
Foreclosure charges	6% of principal outstanding
Internal Loan closure charges	3% of principal outstanding
Duplicate NDC / NOC / No link letter / Any other documents	₹ 500/- per instance
The Standard TAT for Issuing Foreclosure/ List of Documents (LOD) to customers	15 Working Days from the date of request
Type of Transaction	Charges
NOC/No Dues of the loans	7 Working Days after receipt of closure/foreclosure/loan outstanding with all dues and charges as per AFPL of the particular loan account(s)
Original documents retrieval after realization of closure payment and any other documents to customer	21 Working Days from date of issuance of No dues certificate.
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.	
Updated / Amended SoC will be available at www.arthan.finance (may be change as per company polices and as and when required).	

For Samruddhi and Unsecured Loans

Type of Transaction	Charges
ON APPLICATION	
Application fees (IMD) – Non-refundable	₹1500/- (if paid through digital medium) ₹Rs. 1650/- (if paid through cheque)
Stamp Duty Charges & MOE Charges	On Actuals
FROM DISBURSEMENT	
Processing fees	3% of loan amount
Legal Opinion and Valuation Charges	₹1500/-
Document verification Charges (RCU)	₹ 750/-
Insurance	Entire loan amount should be covered with tenor
Document Handling Charges	0.1% of Loan amount (rounded off to nearest multiple of 50) or ₹ 1000/- whichever is higher
DURING THE TERM OF LOAN	
Statement of account	₹ 200/-
Loan Cancellation charges	2% of sanction loan amount or ₹ 5000/- whichever is higher.
Loan Rebooking charges	₹ 2500/-
PDC/ ECS/ NACH Dishonor Charges (if collected within 15th of the month)	₹ 500/- per instance
PDC/ ECS/ NACH Dishonour Charges (if collected after 15th of the month)	₹ 750/- per instance
Field Visit Charges for follow up, collection of PDD/NACH documents, overdue collection etc.	₹ 200/- per instance
Cash collection and handling charges	₹ 200/- per instance
Repayment Swapping charges (ECS/PDC/NACH)	₹ 500/-
List of Documents Retrieval Charges (LOD charges)	₹ 1000/- per instance
Loan rescheduling Charges	₹ 500/- per rescheduling
EMI Due Date Every Month	4th if due date is Sunday or holiday then EMI to be presented on the immediate next working day.
PREPAYMENT / FORCLOSURE CHARGES	
Pre-closure Letter/ Closure Letter/Foreclosure Letter/Statement of Account (SOA)Amortization Letter/ Any other type of Statement or Letter	₹ 500/- per instance will be charged for each subsequent request.
Part Prepayment/ Foreclosure charges	Allowed only after 6 months of repayment with Part pre-payment charge of 4% of the principle outstanding Foreclosure charges of 6% on principle outstanding.

Type of Transaction	Charges
Default/Delayed Penal interest	3% per month to be accounted on daily basis
Loan EMI reschedule charges due to part payment	₹ 1000/-
Duplicate NDC / NOC / No link letter / Any other documents	₹ 500/- per instance
The Standard TAT for Issuing Foreclosure/ List of Documents (LOD) to customers	15 Working Days from the date of request
Original documents retrieval after realization of closure payment and any other documents to customer	21 Working Days from date of issuance of No dues certificate.
NOC/No Dues of the loans	7 Working Days after receipt of closure/foreclosure/loan outstanding with all dues and charges as per AFPL of the particular loan account(s)
Recovery (Legal/Possession and Incidental Charges)	On Actuals
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For Supply Chain Finance /Invoice/Bill Discounting/Digital Loans

Type of Transaction	Charges
ON APPLICATION	
Stamp Duty Charges	As per actuals
FROM DISBURSEMENT	
Processing Fees	2.00% of Loan Amount basis pricing policy applicability and / or mutual agreement with service providers
DURING THE TERM OF LOAN	
Statement of account charges	₹ 200/- per instance
PDC/ ECS/ NACH Dishonor Charges	₹ 500/- per instance
Outstation Collection Charges	₹ 350/- per instance
Repayment Swapping charges (ECS/PDC/NACH)	₹ 500/- per instance
Mandate Rejection Service Charge Charges will be applicable on your EMI Due date in case the account does not have an Active mandate	₹ 450/-
Duplicate No Objection Certificate/No Due Certificate/ No link letter / Any other documents	₹ 500/- per instance
EMI Due Date Every Month	4th if due date is Sunday or holiday then EMI to be presented on the immediate next working day.
NOC/No Dues of the loans	7 Working Days after receipt of closure/foreclosure/loan outstanding with all dues and charges as per AFPL of the particular loan account(s)
Recovery (Legal / Possession and Incidental Charges)	On Actuals
Any other charges	As per actuals
PREPAYMENT / FORCLOSURE CHARGES	
Default/Penal interest for delayed payment	2%-3% per month and accounted on daily basis pricing policy applicability and / or mutual agreement with service providers
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.	
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For Pragati/Unnati Loans Loans

Type of Transaction	Charges
ON APPLICATION	
Application fees (IMD) – Non-refundable (Unnati Loans)	₹ 300/-
Stamp Duty Charges	As per actuals
FROM DISBURSEMENT	
Processing Fees	2.00% - 3.00 % of Loan Amount basis pricing policy applicability and / or mutual agreement with service providers
Insurance	Entire loan amount should be covered with tenor
Document Handling Chargers	₹ 500/-
DURING THE TERM OF LOAN	
Statement of account charges	₹ 200/- per instance
PDC/ ECS/ NACH Dishonor Charges	₹ 500/- per instance
Outstation Collection Charges	₹ 350/- per instance
Repayment Swapping charges (ECS/PDC/NACH)	₹ 500/- per instance
Mandate Rejection Service Charge Charges will be applicable on your EMI Due date in case the account does not have an Active mandate	₹ 450/-
Duplicate No Objection Certificate/No Due Certificate/ No link letter / Any other documents	₹ 500/- per instance
EMI Due Date Every Month	Fixed monthly due date on 4th of every month in case of monthly EMIs Fixed due date on 4th and 20th of every month in case of Fortnightly EMIs.
The Standard TAT for Issuing Foreclosure Letter	15 Working Days from the date of request
NOC/No Dues of the loans	7 Working Days after receipt of closure/foreclosure/loan outstanding with all dues and charges as per AFPL of the particular loan account(s)
Recovery (Legal / Possession and Incidental Charges)	On Actuals
Any other charges	As per actuals
PREPAYMENT / FORCLOSURE CHARGES	
Default/Penal interest for delayed payment	3% per month and accounted on daily basis
Foreclosure charges	4% of principal outstanding

Type of Transaction	Charges
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.	
Updated / Amended SoC will be available at www.arthan.finance (may be change as per company polices and as and when required).	

In case of any queries, please contact at:

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