FDPL
Finance Pvt. Ltd.

INTEREST RATE & SERVICE CHARGES POLICY

Of

FDPL FINANCE PRIVATE LIMITED

(FFPL)

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A. PREAMBLE

This policy is formulated with reference to the Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions, 2023 [RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24] and Fair Lending Practice -Penal Charges in Loan Accounts [RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24] issued by the RBI (as amended from time to time) ("RBI Master Directions") advised Boards of Non-Banking Finance Companies (NBFC's) to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium etc., and determine the rate of interest to be charged for loans and advances.

Further, the directive states that 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.

In order to ensure its standards of transparency, in conformity with the stipulations of the RBI's directives and in compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy for determining Interest Rates, Processing and Other Charges and broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

This Policy would be effective from the date of approval by the Board and would be subject to amendments in accordance with Regulations, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any inconsistency of the provisions of this Policy with any amendments, circulars, clarifications etc. issued by relevant authorities, then such amendments shall prevail upon the provisions of this Policy.

B. OBJECTIVE

- To arrive at the benchmark rates to be used for different categories of borrower segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from borrowers.
- Communicate the annualized rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Make available the rates of interest and the approach for gradation of risks on the web-site of the Company.

C. COMPUTATION OF THE INTEREST RATE FOR LENDING WITH RISK GRADATION BASED PRICING

FFPL, RBI registered NBFC largely operates into Unsecured Personal Loans "Loan Product" through Digital Lending Platform to the under penetrated segment of the Indian economy.

The final lending rate for loan products offered by the Company will be arrived at after taking into account market reputation, interest, credit and default risk in the related product segment, historical performance of similar homogeneous customers, profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, subventions available, deviations permitted, future potential, group strength, overall customer yield, etc. Such information may be gathered based on information provided by the borrower, credit reports and market intelligence. While deciding the charges, the practices followed by the market participants would also be taken into consideration.

The Company intimates its borrowers the loan amount through Key Fact Statement, the annualized percentage rate (APR) and the annualized rate of interest, any other fees which is applicable for the loan at the time of sanction of the loan along with the tenure, the amount and the due dates of the monthly instalments.

The Interest Rate Model of the Company would largely depend on the following factors:

1. **BASE INTEREST RATE DETAILS OF LOAN PRODUCT**

1) **COST OF BORROWING:** Cost of borrowing would be a function of the Company's operational effectiveness as perceived by the banks, the liquidity situation in the country's financial markets, the general borrowing rates of NBFCs in similar vintage, scale and size, the term of the loan required for the product and the ability of the product to access funds either from domestic or international institutions. Efforts would be made to ensure that the borrowing cost is the minimum possible and efforts would be made to pass on any reductions in these costs to the customers.

   The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to its borrowers are sourced, normally referred to as the Company's external cost of funds.

   The Company currently borrows funds through term loans, ICDs, Non-Convertible Debentures from the investors.

2) **FUND RAISING COST**: It includes processing fees on term loans, brokerage to source funds through NCD, Rating Fee (if applicable), trusteeship fee etc.

3) **OPERATIONAL COST OF SOURCING, COLLECTION AND LOAN ADMINISTRATION:**

   The Company has different channels of sourcing and collections of its loan product which may include sourcing through digital platform or through lending service providers, direct selling agents, employees of corporate empaneled with LSPs. The loan management cost incurred by the company for sourcing, collection and administration of its loan product should be factored into all transactions. The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest.

4) **RISK PROFILE OF THE LOAN PRODUCT:** Depending on customer occupation, customer income (imputed or provided by customer), geographical specifications (where we are operational), credit underwriting processes (bureau score, no of trade-lines, write-off history, delinquent status etc.), the base credit risk profile of customer is assessed and appropriate classification is carried out in the system. The expected credit costs of a loan product will be compared against actual performance on an ongoing basis and may vary based on both micro and macro factors.

5) **EXPECTED CONTRIBUTION TO COMMON OVERHEAD AND GROSS MARGINS:**

   The above factors cover:

   the cost aspect of the Company's lending, in addition to which the interest income has to cover customer acquisition costs, head office / corporate expenses, managerial expenses, technological expenses, operational cost, variable costs, sales and marketing expenses and other opex cost. This aspect of the cost to the borrower is directly in control of the Board and the management and both of them will make efforts and keep constant vigil that the margin applied over these costs is kept within the reasonable limits in order not to burden our customers.

6) **DELIQUENCY COST** – As a matter of prudence, cost of delinquency shall be factored into all transactions. This cost is then reflected in the final interest rate quoted to its borrowers.

7) **ROE:** Internal cost of funds being the expected return on equity issued, is also a relevant factor. The interest rate charged will also take into account costs of doing business.

Fixed rate loans are not linked to benchmark but are decided based on their Operational expenditure, Business related risks and desired ROE/ROA. Factors affecting calculation of ROE are mentioned below:

The rates of interest are subject to change as and when the situation warrants and are subject to the discretion of the Management and/or changes to extraneous cost factors which has a say in the setting up of the interest rate. Any revision would be from prospective effect.

Interest rates shall be intimated to the borrowers at the time of sanction/ availing of the loan and the equated instalments/Balloon Payment/Bullet payment apportionment towards interest and principal dues shall be made available to the borrowers.

2. **GRADATION OF LOAN BASED ON RISK ASSESSMENT:**

FFPL grants credit facilities to the individual borrowers "borrowers" who typically do not have high credit scores. The individual assessment criteria for the customer credit grading undergoes different checks during the KYC and on boarding process to ensure proper risk categorization of our borrowers. When assessing credit transactions, the Company focuses on critical principles as follows:

1. Profile including usage of internal credit scoring models, leveraging traditional approaches like bureau score as well as alternative data sources, etc.
2. Tenure of relationship with the borrower, past repayment track record and historical performance of our similar clients;
3. Borrower income and profile, overall customer yield, future potential, repayment capacity based on financial Leverage, liquidity, sources of income, and other financial commitments of the borrower, mode of payment;
4. Interest, default risk in related credit segment;
5. Regulatory stipulations, if applicable;
6. And any other factors that may be relevant in a particular case.

The Risk Gradation pricing is done as follows:

Internal underwriting models based on borrower's credit history, repayment pattern and overall exposure/indebtedness information received from Credit Bureaus and alternate sources of data, leads to the decision whether the customer's application can be approved or not.

D. PROCESSING / DOCUMENTATION AND OTHER CHARGES

Cost of sourcing (customer acquisition cost) and handling the loan application is charged as processing fees. There are several processes that are implemented to cover all the customers before approval. The costs incurred towards the implementation of these processes are recovered from the customers whose loans are approved in the form of processing fees. The fees will vary based on the loan product, geographical location, customer segment, size, tenor of loan and risk associated with the application and generally represent the cost incurred in rendering the services to the customers. Depending on the loan tenure the fees charged is between the range of 4%- 10%. The management regularly reviews the processing fees levied and can change the processing fees at any point of time. All processing / documentation and other charges recovered are expressly stated in the Loan documents.

The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

All applicable taxes shall be charged as per the guidelines issued by the Government from time to time.

E. PENAL CHARGES/ LATE PAYMENT CHARGES

Penal Charges - Besides normal interest, the Company may levy penal charges for noncompliance of material terms and conditions of loan contract by the borrower. These additional or penal charges for different products or facilities would be decided by the respective business / product heads. The penal charges shall not capitalised i.e., no further interest computed on such charges and shall be governed by the Board approved penal charges policy of the Company. Suitable grace period will be built in the KFS for payment post due date during which such penal charges will not be applicable.

Other charges/fees - Cheque bouncing charges, cheque swap charges, legal charges, would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, documentation charges, GST and other cess would be collected at an applicable rate from time to time, as communicated in the documentation provided. Any revision in these charges would have a prospective effect and will be communicated to the borrower.

Grace Period: 5 days from the due date of instalment.

While deciding the charges, the practices followed by the competitors in the market

The quantum and reason for aforesaid charges shall be clearly disclosed to the customers in the loan agreement and sanction letter/Key Fact Statement (KFS) as applicable and be displayed on the website.

F. REVIEW OF POLICIES

The Policy shall be reviewed annually or more frequently if changes are required in the model, such as additions/ deletions of specific components forming part of the benchmark calculation. The Policy will be reviewed yearly or as deemed necessary by the Board of the Company. Any change or amendment to this Policy shall at all times comply with the applicable laws and RBI master directions.

G. DISCLOSURE TO BORROWER:

1. The loan amount, annualized rate of interest, tenure, amount of equated monthly instalments shall be disclosed at the time of sanction of the loan. The quantum and reason for Penal Charges shall be explicitly disclosed by the Company to the borrowers in the Financing Documents, including the most important terms & conditions/ Key Fact Statement (KFS) as applicable. Additionally, this information will be displayed on the Company website under Interest rates and service charges. Whenever reminders for noncompliance with the material terms and conditions of the facility are sent to borrowers, the applicable Penal Charges shall be communicated to them. Furthermore, any instance of the levy of Penal Charges and the reason thereof shall also be communicated to the borrowers. This Policy will be available on the Company's website in accordance with the Company's Fair Practices Code and the guidelines of RBI.

2. *Note: The policy shall be read in conjunction of the Loan Policy of the Company. The loan products profile of the Company is appended as Annexure A.

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Annexure-1

Sr. No	Product	Interest Rates	Tenure	Loan Amount (Bracket)
1	Short Term Personal Loan (Unsecured)	24 % -35.95%	1months - 6months	Rs. 1500 -Rs 50,000
2	Personal Loan (Unsecured)	18 % -32%	6 Months - 36 Months	Rs. 50,000 - Rs.5,00,000
3	Merchant Loan (Unsecured)	18 % -32%	3 Months - 12 Months	Rs. 10,000 - Rs.1,00,000
4	Earned Wage Access (EWA)	12% - 35.95%	Upto 45 Days	Rs. 1,000 - Rs.25,000