



Save Microfinance Private Limited
INTEREST RATE POLICY

SAVE MICROFINANCE PRIVATE LIMITED

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CIN: U65929DL2016PTC304877

INTEREST RATE POLICY

Objective:

The purpose of this policy is to determine the interest rates/fees/charges that Save Microfinance Private Limited (SMPL) may charge to members.

Scope:

This policy is applicable to all loan holders of SMPL.

Guidelines:

SMPL is registered with the Reserve Bank of India as Non-Deposit (ND) taking Non-Banking Finance Company (NBFC) and has a license as NBFC-MFI. In the course of its activities, SMPL will strictly follow various directions, guidelines, circulars and instructions as prescribed by RBI time to time.

As per RBI revised guidelines on pricing, SMPL shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, which covers the followings:

- i. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
- ii. Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
- iii. The range of spread of each component for a given category of borrowers; and
- iv. A ceiling on the interest rate and all other charges applicable to microfinance loans. Interest rates and other charges/ fees on microfinance loans should not be usurious. These shall be subjected to supervisory scrutiny by the Reserve Bank.

Components of Interest Rate Pricing:

As per recent RBI guidelines, components of interest rate pricing can include:

“Cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters

Common components of interest rate pricing are

- (i) Finance Cost.
- (ii) Operational expenses (Op-ex)
- (iii) Loan Loss
- (iv) Risk premium (segmentation based on geography, client profile, products etc.)
- (v) Expected profit margin.

Description of Each component are as follows:

1. Cost of Funds

Cost of funds will be taken as “Borrowing Cost minus Income from Deposit/Quarterly Average Borrowings” Further Borrowings cost may include Interest payment, Arranger fee if any, Processing fee, Documentation charges, stamp duties paid etc.

2. Operating Expenses

Operating cost will include the "Personnel Cost including incentive + Travel Cost + Admin Cost + Group Dev. Cost/Training Cost + Depreciation+ other operational cost)/Average Portfolio Outstanding.

3. Loan Loss

This will be calculated as average write off percentage in the past 3-5 year in the institution of the respective loans accounts.

4. Risk Premium

This will be derived by analysing the past portfolio quality of specific clients/Segment of client/ Respective. There are some suggested way to derive the risk premium associated

- a. Risk premium could be linked to clients vintage, credit history etc.
- b. Risk related to geography could be areas prone to natural calamities, PAR levels, negative areas etc.
- c. Risk Premium could also be linked to loan product types based on assessment of past data.

5. Profit Margin

Profit Margin can be derived considering either sector level "Return on Assets" keeping room to increase and decrease to some extent as considered appropriate and decided by the board or profitability margin can be decided by the board based on future growth of the business.

SMPL Interest Rate Calculation Base:

S. No.	Component	Basis on projections FY23
1	Finance Cost	12.25%
2	Operating Cost	7.50%
3	Loan Loss	1.00%
4	Risk Premium	0.25%
5	Profit Margin	2.00%
	Average Lending Rate	23.00%

Processing Fee:

SMPL shall charge only 1% as processing fee.

Penal Interest/ Late Payment Charges:

SMPL does not accept any late payment charges besides normal interest.

Other Charges:

All processing and other charges recovered are clearly stated in the Loan Documents. While deciding the charged all practices followed by other competitors in the market would also be taken into consideration.

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