

INTEREST RATE AND OTHER SERVICE CHARGES POLICY

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Policy Owner	Speel Finance Company Private Limited
Approved by	Board of Directors

1. PREAMBLE:

As per the Master Direction - Non-Banking Financial Company - Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17) issued by the Reserve Bank of India, the Board of each applicable Non-Banking Financial Company shall approve an Interest rate model that is applicable for the Company, taking in to 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 gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrower in the sanction letters issued to them.

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 broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

2. OBJECTIVE OF THE POLICY:

1. To arrive at the benchmark rates to be used for different category of borrower segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from borrowers.
2. Communicate the annualised 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.
3. Make available the rates of interest and the approach for gradation of risks on the web- site of the companies.

3. ROLE OF BOARD OF DIRECTORS

The Board of Directors shall have oversight for the Interest Rate Policy of the Company. In order to ensure effective implementation of the Interest Rate Policy, the Board will review the Business/ Loan products along with incidental matters

relating thereto considering the relevant factors and make suitable changes therein as and when required.

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

Speel Finance has one category of products under which Loans are currently disbursed which are listed below (“Loan Products”): Digital Personal Loans.

The base interest rate for every product will be a function of the Company’s judgment for longer term and steady state costs, based on the following four aspects:

- a) Internal Cost of Borrowing for Speel Finance Company Private Limited; or externally linked interest rate benchmark (as applicable for different products) thus calculating a weighted average cost of borrowing
- b) Operational cost of collection and loan administration of the Loan Products;
- c) Risk Profile of the Loan Product; and
- d) Expected Contribution to Common Overhead and Gross Margins from the Loan Product.

Changes in the overall interest rate have to be approved by the Directors of the Board. The final lending rate for various products offered by the Company 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 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, nature and value of primary and collateral quality & security, etc.

Such information may be gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower’s premises. While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

A. BASE INTEREST RATE DETAILS OF LOAN PRODUCT

1. COST OF BORROWING FOR SPEEL FINANCE FOR THE LOAN PRODUCT:

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, the term of the loan required for the product and the ability of the specific product to access privileged or special 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.

Since the Company borrows funds from various banks, financial institutions and other external lender(s), the weighted average borrowing cost, as well as costs incidental to those borrowings like brokerage, consultancy fees, processing fees shall be taken into consideration. The cost of borrowings varies according to market conditions thus pricing of interest rates shall be consequently impacted and decided accordingly.

Interest is charged to the borrower on a fixed interest rate model. The fixed rate loans shall have the fixed rate tenure for up to the tenure of each loan.

2. OPERATIONAL COST OF SOURCING, COLLECTION AND LOAN ADMINISTRATION:

The operating model of every Loan product is different. The digital loans have different channels of sourcing and collections. The loan administration and management costs also differ for the different loan products. The costs are hence different for every product and as a function of the costs, the average loan size and loan tenure may vary.

3. RISK PROFILE OF THE LOAN PRODUCT:

Depending on the purpose for which the loan is being used, geographical specifications, customer occupation, underlying security and credit underwriting processes, the base credit risk profile of each loan product is different. The risk profile of loans is also available by assessing the historical averages of repayment rates of loan products in other companies in the market. This judgement of the credit costs of a product, will be compared against actual performance on an ongoing basis and varied based on both micro and macro factors.

4. EXPECTED CONTRIBUTION TO COMMON OVERHEAD AND GROSS MARGINS:

The above three factors cover the cost aspect of the Company's lending, in addition to which the interest income has to cover head office expenses, managerial expenses, technological expenses and other expenses. This aspect of the Cost to the borrower is the aspect that is most directly in control of the board and the management and both of them make efforts and keep constant vigil that this margin is kept within the reasonable limits in order not to burden our customers.

B. GRADATIONS OF LOANS BASED ON RISK ASSESSMENT

For Digital Personal Loans the Risk Gradation Pricing is done as follows:

Digital Personal Loans: 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



CIN: U65920MH1995PTC090558

Website: www.speelfinance.com

Email: speelfinancenagpur@gmail.com

Reg. Office: 2,3 Zal Complex, Sadar, Nagpur – 440001

customer's application can be approved or not. The pricing is also risk based and depends on a combination of model scores of a customer.

Over time, the performance of the portfolio against the model is compared to change the pricing attributes, if necessary. The range of interest rate is between 18% to 36% p.a.

The repayment performance of the customer in the cohort is studied to adjust the risk gradation for these cohort of loans on a quarterly basis.

PROCESSING FEES, LATE FEES, BOUNCE FEES, PENAL CHARGES, PRE-PAYMENT FEES DETAILS

Cost of Sourcing 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 size of loan and risk associated with the application. The processing fee ranges from 3% to 7% of the loan amount.

The management regularly reviews the processing fees levied and can change the processing fees at any point of time.

Digital Personal Loan - In order to penalize late repayment behaviour and recover costs of delayed payments/non-payments and early closures, borrowers may be required to pay charges such as bounce fess, late fees (penal charges), and pre-payment fees ("Fees") in addition to the interest that is due till the date the borrower does repayment. Besides these charges, GST, stamp duty, service tax and other cess would be collected at applicable rates from time to time. These charges are in no way capitalized on by the Company.

Any revision in these charges would be from prospective effect on the entire digital personal loan book.

Future modifications of these charges or introduction of new charges would be approved upon by the Board of Directors. Post these changes, the revised structure will be notified to the Borrowers.

However, while ultimately deciding the processing fees, late fees (penal charges), bounce fees, pre-payment fees and other charges for the Digital Personal Loan, the practices followed by the competitors in the market would also be taken into consideration.

Speel Finance may waive the Fees levied on the customer with the prior approval of the relevant officers, authorised by the Board of Directors.



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DISCLOSURE

The Company shall communicate the effective rate of interest - to customers at the time of sanction / availing of the loan through the acceptable mode of communication. Interest Rate Policy would be uploaded on the website of the Company in accordance with the Company's Fair Practices Code and the guidelines of RBI.

The Company also discloses the full details of all the charges that would be payable by the Borrower at the time of repayment, including interest, processing fees, GST and contingent charges that would be applicable in the occurrence of a delay in repayment, in the Key Fact Statement which is part of the Loan Agreement given to the Borrower. The penal charges so levied are ad valorem the loan amount.

and any change therein would be uploaded on the web site of the Company. Changes in the rates and charges for existing customers, if any, would be communicated to them through various modes communication such as on the website, digital platform and/or vide email, letters, SMS, etc

ANNEXURE

The indicative range of various components of the Interest Rate charged to the Borrower are as follows:-

Particulars	Digital Personal Loan
Cost of Borrowing	15% - 17%
Operation cost of sourcing, collection, and loan administration	Upto 4% - 6%
Risk Profiling of Customer	Upto 10%
Expected Contribution	Upto 10%

*Please note these numbers are indicative as on the date this Policy was last amended - i.e. 14th April, 2023.