Preamble:

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.266/03.10.01/2011-12 dated March 26, 2012 have directed all NBFCs to

- Communicate the 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 companies.

Rate of interest:

Pricing is essentially a function of risk, tenor and prevailing market trend. As far as fund-based exposure is concerned, pricing has two components, viz., benchmark and spread. The benchmark and spread are a function of cost of funds, margin, operating costs, risk premium etc. The decision to offer a fixed or floating interest rate loan by the organisation, will inter alia depend on the nature of the product being offered, market conditions, sources & terms of funds, customer requirement etc.

The Company intimates the borrower, the loan amount and rate of interest at the time of sanction of the loan along with the tenure and amount of the installment.

Approach for gradation of risk:

The interest rate and other fees for credit and other facilities would be based on credit-worthiness of the borrower, rating/ profile of the borrower, location, asset being financed, end use of loan, security cover, options, sector, risk perception, tenure of loan/facilities, pricing offered by competition and other relevant factors. Pricing decisions can also be linked to portfolio returns in case of multiple product offerings by the organisation.

The pricing for each transaction would inter alia be based on due negotiations with the client. The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

Pricing Model for Retail Products:

The Company offers following retail products namely, Farm Equipment Finance, Two-Wheeler Finance, Consumer Loans, Micro Loans, Home Loans and Loan against Property to its borrowers.

The pricing for each of these products is arrived at by taking into consideration cost of funds, risk premium, other operating costs, margin, credit losses and pre-tax ROA.

Product	Offering
Farm Equipment Finance	Provides loans to farmers for purchase of tractors, harvesters and other implements which are used towards tilling of agricultural land and haulage of produce for generation of income.
Two-Wheeler Finance	Provide loans to customers for purchase of two wheelers which are used by the customer in order to attend to or enhance his/her generation of income.
Micro Loans	Provides small ticket group loans to rural women entrepreneurs for income generation activities. The Company has been in the business of providing micro-loans since 2008. The sourcing and collections of these loans is through the on-roll company field staff which spread across multiple states.
Consumer Loans	Provides loans to customers for their consumption needs. The customer may invest towards various end uses viz. travel, purchase of consumer durables, medical bills, education etc. The customer may be an existing or new customer.
Home Loans	Provides loans to customers for purchase, construction, improvement and extension of homes. The Company also provide option to existing home loan customers with other banks/Financial institutions to switch their outstanding loan amount to us with better terms & conditions.
Loan Against Property	Provides loans to customers for financial assistance against mortgage of residential (self-occupied, rented, vacant) and commercial properties.
SME Loans	Provides loans to Small and Medium Enterprises as well as Professionals like Doctors, Chartered Accountants, ICWAs, who have their own Business or Practice.

Cost of Funds: The Company raises funds from its lenders with both end use specified and/or unspecified which is against pool of receivables. The cost of fund varies for different products offered by the company depending on nature of product such as Fixed/Floating rate, tenor, repayment frequency, priority lending benefits etc.

Operating Cost: Retail products offered by the Company are sourced by in house teams/DSA's and collections are also undertaken through its own teams/collection agents. Accordingly, the Company operates through a large number of employees on its rolls as well collection agents which substantially increases the operating costs.

Margins: The Company operates through its large network of branches located in 22 states, 2 Union Territories and mostly through its own employees/collection agents. The Company has invested widely in technology in order to improve loan servicing to its customers. The teams are ably supported by technology and analytics for sourcing of business. The margins are hence calculated accordingly.

Risk Premium: The company has been operating consistently at par with industry levels of collections through investments in on-ground collections team ably supported by technology and analytics. However, some of the products such as Micro Loans may be prone to certain event risks such as demonetization, floods, COVID 2019 etc. Premium for such event risk gets included in the pricing of each product.