

## **Interest Rate Policy**

### **PREAMBLE**

Shapoorji Pallonji Finance Private Limited ("The Company" or "SPFPL") is registered with the Reserve Bank of India ('RBI') as a Non – Banking Financial Company not accepting or holding deposits. SPFPL is committed in conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

This document is intended to present the Policy of SPFPL in dealing with customers [borrowers], in respect of determining the pricing for loans given, in a transparent and open manner.

The Reserve Bank of India (RBI) vide its Master Directions No. RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on 'Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016' as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies. 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 for its lending business.

The approach is to evolve a standard for pricing of loans with a view to ensuring that

pricing is fair and transparent.

Given that the business model of SPFPL focuses on providing credit / finance only to customers meeting the credit eligibility standards of SPFPL for varying tenors, the interest rate applicable to each loan account, within the applicable range is assessed on a case to case basis, based on the evaluation of various factors, as detailed hereafter.

### **Interest Rate**

The interest rate applicable to a particular loan will be determined by reference to a number of factors, including:

1. Terms of the Loan - The interest rate charge will depend on the term of the loan – structure, interest payment cycle (viz monthly, quarterly, yearly, bulleted), principal repayment terms, security provided, moratorium period (if any), etc.
2. Tenor of the loan – Tenor of the loan is an important element of determining pricing of a loan. A short term loan (typically upto 1 year) is priced based on short term rates and a long tenured loan is priced based on long term rates.
3. Internal and External Costs of Funds – Internal cost of funds being the expected return on equity issued; is also a relevant factor and External cost of funds is cost of funds at which the Company will be able to borrow based on whether the loan is a short term loan or long term loan.
4. Margin - The interest rate charged will also take into account costs of doing business. 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 should be taken into account before arriving at the final interest rate.

5. Credit Risk - As a matter of prudence, credit cost should be factored into all transaction basis probability of default and expected loss. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a particular transaction depends on our internal assessment of the credit strength of the customer.
6. Other Factors - Matching tenor cost, market liquidity, refinance avenues, RBI Policies on credit, offerings by competitors, market reputation, profile of the customers, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, group strength, overall customer yield, nature and value of collateral / security (ies), past repayment track record, external ratings, industry trends, switchover options, end use of the asset, etc.

Indicative Rates (for fixed rate loans) which may be charged to the customers:

Lending Type	Low Risk	Medium Risk	High Risk
	Interest Rate (Annualized)		
Real Estate	12-13%	13.1-16%	16.1-21%
Other Corporate Loans	10-12%	12.1-15%	15.1-18%

Indicative Rates (for floating rate loans) which may be charged to the customers:

Lending Type	Depending on Risk Profile (Low/ Medium/ High)
	Interest Rate (Annualized)
Real Estate	PLR - 4% to PLR + 6%
Other Corporate Loans	PLR - 5% to PLR + 3%

Calculation of PLR is derived as follows:

Calculation of PLR		%
A	Borrowing Cost	
	(Weighted Rate of existing Borrowings on the last day of the period end)	
B	Admin Cost	

C	Risk Margin	
	<b>SPFPL PLR</b>	

The computation of PLR and any change therein shall be arrived basis the above methodology / formula from time to time and shall be approved by the Board or by any committee as may be authorized by the Board.

The effective PLR shall be published on the website of the Company from time to time

**Note:**

1. Above are indicative ranges and the actual pricing will depend on the cost of funds, operations cost, credit risk premium, tenor premium and margins etc.
2. Cost of funds will be the rate at which the Company is expected to source its funds including all incidental costs like Stamping, Rating cost, Brokerage etc.
3. The Company will not charge usurious rate of interest. The overall pricing to the customer will be reasonable based on the above factors mentioned and market practice.

**Procedural Aspects**

1. The interest rate for each loan would be decided by approving authority and may be evaluated on case to case basis and above are only indicative rates;
2. The Company will communicate the same to its customers (borrowers) vide sanction letter;
3. Sanction letter will also contain details of the default interest / penal interest rates as approved for the individual credit and other fees and charges payable by the customers in relation to their loan account and method of application thereof and
4. Terms and conditions and other caveats governing the loan to be given to the Customers / Borrowers of SPFPL.
5. In case of any change in any of the terms and conditions / caveats / any information

which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer either as an addendum / additional annexure to relevant loan documents. However all the relevant formalities (e.g. further legal documentation, approval of customer, etc.) pertaining to the same shall be documented and a copy of the same shall be sent to the customer. The same may be communicated through electronic media or any other form of communication as may be mutually agreed between SPFPL and the Customers / Borrowers of the Company. The acknowledgement of the receipt of the addendum / additional document shall also be preserved on the records by the Company.

6. All the above information shall be in writing / electronic media or any other form of communication shall be duly approved / accepted by the customer / borrower of SPFPL and certified by an authorized Official of the Company and would be documented in a chronological manner for future reference.

#### **Content on the website**

Appropriate disclosure regarding this Interest Rate Policy shall be displayed on the website of SPFPL as per the RBI Regulations.

#### **Review of the Policy**

The Board of SPFPL or its Committee authorised in this regard shall review this Policy from time to time atleast once in a financial year.

#### **Limitation**

In the event of any conflict between the provisions of this Policy and of the RBI Directions, Guidelines, Circulars, Notifications, etc, the RBI Directions, etc shall prevail over this Policy.