

Ananya Finance for Inclusive Growth Pvt. Ltd.

INTEREST RATE DETERMINATION
METHODOLOGY AND APPROACH FOR
GRADATION OF RISKS

July 2023

Objective of the document:

The objective of the document is to disclose the methodology based on which Ananya Finance for Inclusive Growth Pvt. Ltd. (“the company”) determines the interest rates charged on its borrowers including the approach for gradation of risks in accordance with the RBI’s 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.

Review of the Document:

The document derives its content from the Board approved Pricing Policies and Fair Practices Code of the Company. Thus, the document is subject to change in Pricing Policies and Fair Practice Code.

The RBI’s regulation requires a Board approved methodology to be applied in determining interest rate, processing, and other charges. It mandates an appropriate interest rate model considering relevant factors and gradations of various risks. Accordingly, Ananya has formulated its interest rate policy.

Interest rate:

The interest rate will be arrived at by Ananya factoring in cost of borrowed funds, administrative costs, the risk premium including premium for inherent credit risk in the borrowers and the profit margin. The interest rates arrived on the above basis shall be approved by the Credit Committee.

Interest Rate Model:

The interest rate for each business segment of the company i.e., Wholesale and Retail shall be calculated considering the sum of below factors

a) For Wholesale Segment:

1. Rate of Interest (%) to be charged by the Lender of Ananya for the next sanction / disbursement expected, or the rate charged by a Lender on the latest disbursed / sanctioned loans, as the case may be;
2. Minimum spread proposed to be charged; and
3. Client-specific risk premium calculated based on a predetermined criteria set for each of the business segments.

b) For Retail Segment:

1. Cost of Borrowing: Based on the actual all-inclusive cost of borrowing incurred by Ananya during previous fiscal and monthly average outstanding borrowings.
2. Operational Expenditure: Includes commission payable to BC partner wherever applicable and other operational cost incurred by Ananya.
3. Credit Cost: The average credit cost incurred by Ananya during the past five financial years ending with the previous financial year.
4. Profit Margin: Based on expected pre-tax return on assets taking into account the risk factors.

- Thus, the pricing components include interest rate as decided above, processing fees, and insurance charges. The interest rate would be charged on monthly rests on reducing balance basis.
- Pre-closure charges: Not chargeable as per the RBI regulation.
- Late payment charges: Ananya shall charge a late-payment charge of up to 2% of the delayed payment amount for a delay of more than 7 days depending on market practice and operational feasibility as approved by the Credit Committee.

Gradation of Risks:

The following factors are considered for gradation of risks and determining the risk premium:

- Business and income profile of the applicant
- Loan ticket size
- Other financial commitments
- Applicant's past credit record
- Applicant's business performance
- Security, if any, of the loan determined by underlying assets
- Location delinquency and collection performance
- Credit and default risk in the related business segment
- Credit rating of the applicant and corporate guarantor, if any

Disclosure:

- All the pricing related information shall be disclosed to the MFI borrowers by way of a simplified factsheet along with the loan card along the lines prescribed by the regulation. The rate of interest will be annualised rate so that the borrower is aware of the exact rates that would be charged to the account. The borrower shall not be charged any amount which is not disclosed in the factsheet.
- For non-MFI borrowers also, the interest rates will be intimated to them at the time of sanction of the loan and the interest and principal repayment schedule will be made available to the borrowers. Besides interest, other financial charges like processing fees, late payments, RTGS / other remittance charges, etc. if any, levied by Ananya will be duly communicated to the customer. Any revision in these charges would be with prospective effect.