Enorme Capital Private Limited

INTEREST RATE POLICY

BACKGROUND

RBI Master Direction DNBR.PD.007/03.10.119/2016-17 dated September 01, 2016 under its Fair Practices Code advised NBFC to lay out appropriate principles and procedures for determining interest rates, processing fees and other charges.

In view of the RBI guidelines and good governance practice, Enorme Capital Private Limited ("Company") has adopted this Interest Rate Policy which details the interest rate model for its lending business.

COSTS

The costs that need to be priced into a loan are as follows:

1. Upfront costs – costs incurred by the Company before the customer avails his loan
   a. Acquisition cost
      The cost of sales channel and sales promotion expenses.
   b. Verification cost:
      Verification of identity of the customer and information provided by them in the application form such as residential address and details of employment, trade or profession may be required. Additionally, verification of credit history of the applicants may be required through credit bureaus.
   c. Legal / valuation charges:
      In products such as "Loan against property" and "Vehicle Loan", expenses are incurred towards verification of title documents, valuation of property / vehicle, verification of assets etc. The Company uses the services of specialized agencies, such as a registered chartered engineers / valuers / lawyers to provide valuation and legal opinion. In such cases, in order to defray these expenses, the Company will collect application fees from the customer at the time of application which will be non-refundable in nature.
   d. Credit appraisal costs:
      The Company needs to invest in competent resources that can carry out proper credit appraisal of the customer's application.
   e. Technology costs:
      In contemporary times, financial services business requires extensive investments of ongoing nature in software, hardware, storage and analytics for efficient operations of the business and customer satisfaction.

Since most upfront costs are incurred by the Company irrespective of the outcome of a loan application and only a part of these costs might be covered through the processing fee payable at the time of loan sanction.

2. Ongoing costs – costs incurred by the Company during the tenure of the loan
   a. Cost of funds– The funds used by the company to provide loans to the customers is raised by way of equity and debt which involves cost.
   b. Management costs – This includes cost of the management, IT infrastructure and software licenses and other overheads.
   c. Collection costs – This includes cost of resources and effort required to call / address customers who may default in their repayments and preparation of remedial action plans.
   d. Storage Cost – Loan documents being legal in nature require safe storage infrastructure and maintenance.
   e. Customer Service Cost – Cost of addressing any customer requests such as interest certificate, account statements, address change requests, etc.

3. Credit loss Cost (Risk cost)

Risk is an inherent cost in lending business. As a practice of prudence cost of credit loss will be factored into all offerings while determining interest rates. The company is required to create provisions for bad loans and write off loans that are not recoverable. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.

APPROACH FOR RISK GRADATION:

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

1. profile and market reputation of the borrower
2. inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed
3. tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients
4. group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment
5. nature and value of primary and secondary collateral / security
6. type of asset being financed, end use of the loan represented by the underlying asset,
7. interest, default risk in related business segment,
8. regulatory stipulations, if applicable, and
9. any other factors that may be relevant in a particular case

INTEREST RATE PRICING STRATEGY:

1. The rate of interest applicable to each loan account, within the applicable range is assessed on a case specific basis. The company may adopt an interest rate model whereby the rate of interest for same product and tenure availed during same period by customers would be different from customer to customer depending upon consideration of any or combination of a few or all factors listed out in point 2 below.
2. The rate of interest shall be determined based on the cost of borrowed funds, matching tenure cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the cost of fund, factors including but not limited to inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, etc. will also be considered while determining interest rate offered a particular customer.
3. The rate of interest so determined shall ensure cost coverage and also provide reasonable returns to the Company and its shareholders.
4. The annualized rate of interest would be communicated to the customer.
5. The Company will offer both fixed rate and floating rate loans to our customers depending on the tenure / Product. Additionally, the Company will also offer a combined pricing loan wherein it is fixed rate initially and then switches to floating rate after a particular time.
6. Floating rate loans will be linked to the Floating Reference Rate (FRR). FRR is reset at the beginning of each quarter on the basis of the factors including but not limited to the cost of long term liabilities of the company and rates of interest charged by competitors.
7. Loans above Rs. 25.00 lakhs or loans with tenure exceeding 48 months will be typically offered as floating rate loans to avoid undue interest rate risks.
8. Rate of interest charged by the Company shall not exceed 50% per annum.
9. Processing fees charged by the Company shall not exceed 5% of loan amount.
10. In case of staggered disbursements, the rate of interest would be subjected to review and shall be determined by the Company depending on the prevailing interest rates at the time of such disbursement or in any other manner at the sole discretion of the Company.

11. The interest rate, floating reference rate and other charges applicable from time will be available and updated in a timely manner on the Company's website.

Penal Interest/Late payment charges

- Besides normal interest, the Company may collect penal interest/late payment charges for any delay or default in making payments of any dues.
- Penal interest charged by the Company for late repayment of dues will be mentioned in bold in the loan agreement.
- These penal interest/late payment charges for different products or facilities would be decided by the Company from time to time.
- No claims for refund or waiver of such charges/penal interest/additional interest would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.

Processing /documentation and other charges

All processing / documentation and other charges recovered are expressly stated in the Loan documents and these are variable based on the loan product, loan amount, customer segment and location and generally represent the cost incurred in rendering the services to the customers. These shall also be decided with due consideration of the practices of the competitors.

Non refundable charges, if any, collected from the customer towards application processing, will be recorded without fail in the application form, which is signed by the customer. A copy of the loan agreement will be provided to the customer. The loan agreement will expressly state the details of interest rates, fees and charges. Additionally, information on effective rate of interest charged, all fees and charges and the grievance redressal mechanism of the Company will be available on the Company's website "www.enormecapital.com" and will also be prominently displayed in all its offices.