
Interest Rate Policy

Version 1.0

Famy Finance Private Limited

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1. Introduction

Famy Finance Private Limited (hereinafter referred to as 'Famy Finance' or 'the Company' or 'the NBFC') is a non-deposit taking Non-Banking Financial Company (NBFC) duly registered with the Reserve Bank of India ('RBI'). Under the Scale Based Regulatory (SBR) Framework for NBFCs, the Company is categorized as a Base Layer NBFC based on its asset size.

The Company is engaged in the business of carrying out investment and trading activity in various securities such as equity shares, debt securities, futures and options and other financial instruments including derivatives as permitted under the applicable regulations as well as lending business.

The Reserve Bank of India (RBI) has mandated all Board of Directors of NBFCs to frame an appropriate Interest Rate Policy and implement the same. This Interest Rate Policy (the 'Policy') has been formulated in line with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (MD-SBR) dated October 19, 2023, and updated from time to time, as well as other guidelines as applicable issued by Reserve Bank of India (RBI) from time to time. The Board/Investment Committee while fixing interest rates chargeable from the borrower shall be guided by this Policy.

2. Objective of the Policy

Board through this policy has laid down appropriate internal principles and procedures in determining the range of interest rates that shall be applicable to various Borrowers. The Company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

3. Interest rate

- In order to determine the rate of interest to be charged for loans, the Company shall take into account the following factors:
- **Types of Interest rates:** The applicable rate of interest would be either fixed, floating or variable or combination thereof and would be commensurate with the prevailing market practices.
- **Lending products:** The interest rate for loans to different business segments and products within those business segments may differ due to the nature of the segment or product, relative gradation of risk and prevailing market practices as well as other opportunities in the credit market.
- **Duration:** The rate of interest for the same product and duration need not be standardized. It could vary for different borrowers depending on any one or a combination of the above factors. The same shall be disclosed to the borrower in the application form and communicated in the sanction letter.

4. Approach for gradations of risk and rationale

The Company will be into lending and investment business. The products typically includes loans for various purposes including growth capex, working capital requirement, shareholding realignment, acquisitions and other business purposes which shall be mentioned in deal note.

Risk grading these loans enables the Company to differentiate borrowers across different risk spectrum and helps in applying suitable risk premium to that borrower. Key factors for gradations of risk that impact interest rate may be as follows;

- a) Profile of the borrower, strength and experience of group;
- b) Length of relationship with the borrower, general repayment track record if existing borrower, credit history of the borrower available from various sources;
- c) Credit Rating of the borrower
- d) Nature and value of primary collateral and additional security;
- e) Existing / projected financial position of the borrower, sustainability of cash flow of the borrower;
- f) Financial strength of the borrower group;
- g) Tenure of the loan

The criteria above are indicative and on a case to case basis, the company would consider appropriate business risks, industry risk, market perception, competitive landscape for the purpose of suitably grading the risk profile of the borrower.

5. Penal and other charges in loan accounts

The Company, besides normal interest may levy other charges and shall ensure the following:

- **Penal Charges**

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the loans.

There shall be no capitalization of penal charges i.e., no further interest computed on such charges.

The quantum of penal charges shall be reasonable and commensurate with the nature of non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.

The quantum and reason for penal charges shall be clearly disclosed by the Company to the Borrowers in the loan agreement, in addition to being displayed on websites of the Company under Interest rates and Service Charges.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

- **Other Charges**

Besides interest, other financial charges like processing fees, upfront fee, participation fees, origination fees, cheque bouncing charges, cheque swap charges, legal charges, pre-payment / foreclosure charges, etc., would be levied by the Company wherever considered necessary based on the prevailing market practices. Besides these charges, stamp duty, documentation charges, GST would be collected at an applicable rate from time to time, as communicated in the documentation provided. Any revision in these charges would have a prospective effect and will be communicated to the borrower.

6. Disclosure to Borrowers

The Company shall ensure the following:

- The rates of interest and indicative approach for gradation of risks shall be made available on the website of the Company. The information published on the website or otherwise shall be updated from time to time.
- The rate of interest and the approach for gradations of risk and for charging particular rate of interest to borrower shall be disclosed in the sanction letter.
- The amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof shall be disclosed in writing to the borrower in the vernacular language or language as understood by the borrower by means of sanction letter or otherwise.
- The penalties charged for late repayment shall be conveyed in bold in the loan agreement.
- The quantum and reason for penal charges shall be clearly disclosed by the Company to the Borrowers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of the Company under Interest rates and Service Charges.
- The Company shall give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms and conditions including interest rates. The Company shall also ensure that changes in interest rates are affected only prospectively. A suitable condition in this regard will also be incorporated in the loan agreement.

7. Managing Interest Rate Risk (IRR)

The Company shall manage interest rate risks in line with the Risk Management Policy formulated by the board of the Company.

8. Compliance/ Implementation

The Board of Director or Risk Management Committee (RMC) will be responsible for ensuring implementation and adherence to the Interest Rate Policy. Further, the Board will regulate and review all interest rate policy decisions on a regular basis.

9. Policy Review

The Board of Directors or RMC shall periodically review the Interest Rate Policy. The Company will review the policy at least once in a year or earlier, in the following scenarios:

- a) In case of any changes impacting the business operations of the Company, or
- b) Any changes in the regulatory framework applicable to the Company.

Any modifications to be made in the Policy will be recommended by the Investment Committee and placed before the Board for approval and on approval it shall be communicated to all relevant departments across the organization.