

Samasta Microfinance Limited  
**Interest Rate Model Policy**

**Introduction:**

Samasta Microfinance Limited (hereinafter referred to as “Company” or “SMFL”) is registered as Non-Banking Financial Company- Microfinance Institution (NBFC-MFI) with Reserve Bank of India (RBI). Company is engaged to provide innovative and affordable financial products to women from unbanked sections in society in both rural and semi urban areas. During the course of its operations, the Company will strictly adhere to various directions, guidelines, circulars, instructions etc. to the extent of its applicability, as may be stipulated by RBI, Self-Regulatory Organization and other regulatory bodies from time to time.

Reserve Bank of India Vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 has directed that the Board of each NBFC shall adopt an Interest rate model for the Company taking into account relevant factors and to disclose rate of Interest, gradation of Risk etc. Company’s policies should always read in conjunction with the RBI guidelines, directives, circulars and instructions.

The Interest rate model of the Company adopted is hereby given below:

**Methodology:**

**1. Interest Rate (IR)**

- a) The IR will be arrived at based on the weighted average cost of funds (including all charges), credit risk premium, administrative costs and profit margin associated with borrowers. IR will be determined for each major lending product separately in the form of a range of rates.
- b) While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.
- c) The interest could be charged on monthly/Fortnightly/ quarterly rests.
- d) Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.
- e) The interest rate policy will be available on the website or at the registered office of the Company and updated from time to time

**2. Pricing of Credit on MFI loans**

- a) Margin cap, cap on the difference between the amount charged to the borrower and the cost of funds to the Company, shall not exceed 10 per cent as per the RBI Guidelines
- b) The interest rates charged by the Company to its borrowers shall be the lower of the following:
  - (a) The cost of funds plus margin as indicated in para (i) above; or
  - (b) The average base rate of the five largest commercial banks by assets multiplied by 2.75. The average of the base rates of the five largest commercial banks shall be advised by the Bank on the last working day of the previous quarter, which shall determine interest rates for the ensuing quarter.
- c) The Company will ensure that the average interest rate on loans sanctioned during a quarter does not exceed the average borrowing cost during the preceding quarter plus the margin, within the prescribed cap;

- d) The maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent;
- e) The average interest paid on borrowings and charged by the Company will be calculated on average monthly balances of outstanding borrowings and loan portfolio respectively. The figures shall be certified annually by Statutory Auditors and also disclosed in the Balance Sheet;
- f) Processing charges shall not be more than 1% of gross loan amount. Processing charges need not be included in the margin cap or the interest cap;
- g) NBFC-MFIs shall recover only the actual cost of insurance for group, or livestock, life, health for borrower and spouse. Administrative charges, where recovered, shall be as per IRDA guidelines.

**3. Revision to Interest Rate**

- a) The revision to Interest Rate would be decided on quarterly intervals and/or at shorter intervals if required, depending upon market volatility and cost to company.

**4. Penal Interest/ Late payment charges**

- a) There will be no penalty charged on delayed payment.
- b) The Company shall not collect any Security Deposit/ Margin from the borrower.
- c) Other than MFI loans, the Company may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities would be decided by the Company from time to time besides Normal interest.

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.

**5. Interest Payable**

- a) The interest will be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

**6. Revisions shall be prospective**

- a) Revision of interest rate and other charges would be prospective in effect and intimation of change of interest or other charges would be communicated to the customer in a mode and manner deemed fit. Revision of Interest will be applicable for new loan and not the existing loan.

**7. Annualized Rate**

- a) The interest would be charged on monthly/quarterly/half yearly rests or on maturity, depending on product features and customer preferences. However, the customer would be provided an annualized rate of interest in the sanction letter.
- b) Interest will be calculated on the basis of 365 days a year

**8. Processing and Other charges/fees**

- a) Apart from interest, other charges, fees may be levied, as given in the sanction letter / agreement along with statutory levies, if any.