Interest Rate Model

Namdev Finvest Private Limited

Registered Office:

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NEER SAGAR MARKET, BHANKROTA,

JAIPUR, RAJASTHAN-302026

INDIA

CIN NO: U65921RJ1997PTC047090

Policy Name	Interest Rate Model	
Version	1.2	
Last Updated	June-2024	
Next review	FY 2025-26	
Reviewed and Recommended by	Sanjay Chaturvedi	
Approver	Board of Directors	June-2024

INDEX

1. Introduction

Namdev Finvest Private Limited (NFPL) is a Non-Banking Financial Company having valid Certificate of Registration with Reserve Bank of India vide registration No. B-10.00260 on 20th August 1997 under current RBI classification as NBFC – Non-Deposit taking Asset Finance Company.

It is focused on offering finance to MSME, Two-wheelers, Solar panel loan, Electric Vehicle (EV) loan, EV charging station loan and all kind of light commercial vehicles segment.

2. Preamble

- Namdev Finvest Pvt ltd (NFPL) is into providing MSME Loans, Vehicle and mortgage Loans to potential customers. The funds for such loans are borrowed from banks and other financial institutions for on-lending to potential borrowers. Given that these are customers who cannot be underwritten through the credit methodologies of banks and other financial institutions, these customers approach institutions like Namdev for their funding needs. Namdev has developed a niche underwriting methodology to evaluate the incomes of these customers and determine their creditworthiness

3. Objective of the Policy

- To ensure transparency in respect of terms and conditions of the financial facility extended to the borrower by the Company.
- To protect the customer from charging of excessive interest rates.
- To put in place adequate policy, practices and procedures in determining the interest rates

4. Pricing on loans

- NFPL derives its incomes from the interest spread between the rate charged to its customers and the rate charged by its lenders. The operational and credit costs are deducted from this spread to arrive at the profitability of the company.
- The interest rate to be charged to potential borrowers depends on a multitude of factors listed below:

  - Cost of funds charged by the lenders
  - Manpower expenses
  - Other Operational Expenses
  - Credit cost
  - Risk premium depending on customer risk category / segment /bureau / property etc.
  - Expected profitability (Interest spread)

- Each of these parameters shall be periodically monitored to arrive at the final interest rate to be charged to the borrower. The factors have been enumerated below.

I. Cost of funds

- Namdev borrows moneys from a multitude of financial institutions viz. banks, NBFCs, through issue of Non-Convertible Debentures, Commercial Paper, Securitisation transactions, etc as per its Resource Mobilization policy for the year. While there are a number of factors evaluated by the lenders before arriving at the cost of funds that would be levied on the company, the primary parameter that differentiates the cost between different forms of funding is the underlying tenure of the facility sanctioned. Longer tenure facilities come at a higher cost compared to the shorter tenure facilities. In view of this, one of the important aspects of the Namdev Interest rate model must be the underlying tenure of the assets originated.

II. Operational Expenses

- Operational expenses include personnel expenses, administrative expenses, depreciation which are incurred on a monthly basis. In a steady state scenario, the operational expenses remain fairly stable.

III. Credit Cost

- Credit costs include expected Credit Loss provisions and write offs. In a state of stable portfolio performance, the losses are also predictable and would remain fairly stable.

IV. Risk premium

- Namdev has a very clear approach towards categorising the customers based on their risk assessment. The Company uses multiple parameters in categorising the customers into Low to High-risk categories.
- The Risk profiling methodology of the customers is clearly elaborated in the Credit policy.
- Risk profiling of borrowers i.e. categorization of borrower should be done for each credit proposal. The various factors to be considered for risk profiling are DBR, Loan-to-Value ratio, High Mark / CIBIL Score, living style of customer and neighbourhood reference.

V. Profitability

- The revenues net of all the expenses enumerated above would lead to the profitability of the company.

5. Interest Rate Model

- From Namdev's perspective, the major points of consideration amongst the variables mentioned above are the Cost of funds and Risk premium since the other variables are expected to be constant across the various category of loans, irrespective of the risk categorisation of the borrower. Hence the Interest rate model aims at addressing these variables to arrive at the pricing to the end customer.
- Given the focus primarily on the cost of funds, which is dependent on the underlying tenure, and the fact that the Company refrains from doing high risk borrowers, it is proposed to adopt an Interest rate model, which will built on the underlying tenure of the assets originated.

- The lending rate will be arrived by considering profile of the customers, tenure of customer relationship, past repayment track record of the customers, customer segment, market reputation, inherent credit and default risk in the products, subventions and subsidies available, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, Loan-to-value (LTV) ratio, nature and value of primary and collateral security and deviations permitted.
- The company follows a discrete interest rate model / policy whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out in above points.
- In case of high-risk borrowers being onboarded, an additional risk premium would be levied. Namdev charges fixed Rate of Interest ranging 16% to 25% on reducing balance basis to its borrowers.
- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges if any etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect.
- Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained, and it is the sole discretion of the management to deal with such requests if any.

I. Product wise Interest Rate Model

Variables	MSME/SME/LAP/Small Secured Business Loans	TW/Wheel/4W	Wholesale/ NBFC/Colending/BC	EV/Green Products
Cost of Fund	12.00% - 13.50%	12.00% - 13.50%	12.00% - 13.50%	11.00% - 12.50%
Manpower Operational Expenditure	4.00% - 5.50%	3.00% - 4.50%	1.00% - 1.50%	3.00% - 4.50%
Other Operational Expenditure	3.00% - 3.50%	1.00% - 1.50%	1.50% - 2.00%	1.00% - 1.50%
Credit Cost	1.00% - 2.00%	4.00% - 5.50%	0.50% - 1.50%	1.50% - 4.00%
Risk Premium	As per product	As per product	As per product	As per product
Profit Margin	As per board directives	As per board directives	As per board directives	As per board directives

Board has delegated powers to ALCO to review lending rates or discount/premium over fixed internal rate basis market conditions and incorporate other expenses additionally if required during the review meetings. MD & CEO is empowered to take decision as advised by the board in ALCO/Board meetings. Any revision in policy framework is to bring up in Board/ALCO for its consent.