



Freemen Investments Private Limited
Interest rate Policy





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1. Background

As per the Reserve Bank of India guidelines, Board of each NBFC shall approve an Interest rate model that is applicable for the Company, taking in to account relevant factors such as cost of funds, margin and risk premium etc., and determine the rate of interest to be charged for loans and advances.

Further, the directive states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters issued to them.

The Reserve Bank of India, Master Direction - Non-Banking Financial Company -Non Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 dated 1st September 2016, as amended from time to time (RBI Regulations), had advised the Boards of Non-Banking Financial Companies (NBFCs) to outline appropriate internal policies and procedures to define their interest rates, processing fees, and other charges.

The board of directors of Freeman Investments Private Limited has designed a detailed interest rate policy in accordance with the master direction issued by the Reserve bank of India to disclose their internal guiding principles, interest rate model, rate of interest, gradations of risk and rationale for charging different rate of interest to their borrowers. The Company shall take this Policy into consideration while making all of its decisions regarding the determination of interest rates and other charges applicable to its loan offerings.



2. Objective of the policy

The primary objective behind drafting and adopting this policy is to decide on the principles, methodology and approach of charging spreads to arrive at final rates charged from customers and define the standard interest rates to be followed for different customer segments and loan offerings. The Policy will also help the Company to arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

3. Review of Policy

This Policy shall be reviewed by the Company's Board of Directors annually, or as and when any changes are necessitated to the Policy, for example any addition/deletion of a particular component forming part of benchmark calculation.



4. Organisation Structure

4.1. Board of Directors

The Board of Directors shall have oversight for the Investment Policy of Freeman Investments Private Limited. In order to ensure effective implementation of the Interest Rate Policy, the Board may delegate certain operational aspects to ALCO, as deemed fit.

4.2. Asset Liability Committee ALCO shall be responsible for taking decision to change the benchmark rate. The ALCO meeting will be held monthly and any changes/no changes in the benchmark rate would be decided by ALCO and would be put up to board in subsequent meeting. Business can have their internal pricing policies under the overall framework of board approved interest rate policy for company for deciding the spreads to arrive at final rate.



5. Interest rate Model

Freemen Investments Private Limited lends money through various products to cater to needs of different category of customers. Few broad categories of customer segments are as follows.

- Gold Loan
- Mortgage Loan
- Business Loan
- Personal Loan

The above mentioned benchmarks are calculated based on following factors.

- Weighted Average cost of borrowing:

The Company borrows funds through term loans, Non-Convertible Debentures and subordinate debt from the investors. Weighted average cost of such funds is taken for bench mark calculation.

- Cost of Equity:

The Company also needs to put some equity portion to run the business and the cost of such equity is taken into consideration

- Fund raising cost:

It includes processing fees on term loans, brokerage to source funds through NCD, CPs, trusteeship fee etc.

- Negative Carry on Investment:

The Company keeps some liquidity to manage liquidity risk and has to borne negative carry on those investments also.

- Opex Cost:

It includes employee expenses, branch related fixed and variable costs, operations cost, sales and marketing expenses

- Risk Premium:

Base risk premium to cover business related risks.

- Base ROA:

Base Return on assets is the minimum return expected by the company on its assets.

Weighted avg. cost of borrowing (A) xx%

Cost of Equity (B) xx%

Fund raising cost (C) xx%

Negative carry on Investments (D) xx%

Opex cost (F) xx%

Risk premium (G) xx%

Base ROA (H) xx%

Final Benchmark rate [Sum (A to H)] (xx...%)

6. Principles and procedures for charging spread to calculate final rate

The rate of interest for loans for various business segments and various schemes there under is arrived after adjusting for spread by the relevant business segment. Factors taken into account by businesses for calculating spreads are as follows:

- Interest rate risk
- Credit and default risk in the related business segment
- Historical performance of similar homogeneous clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Secured Vs unsecured loan
- Subvention available
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer indebtedness (other existing loans)

The rate of interest for the same product and tenor availed during same period by different customer needs not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.

7. Other Charges

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, rescheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, 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. These charges would be decided upon by respective business / product heads in consultation with Operations, Finance and Legal Heads

8. Other procedural aspects

The Company shall adhere to the following procedural aspects with regards to the rate of interest charged on its different loan offerings:

- a) The Company shall inform the borrower about their loan amount; annualised rate of interest and other details of the loan at the time of sanctioning the loan.
- b) Other charges such as processing fees, additional interest charged on delayed payments and bounce charges shall also be mentioned in the Loan Agreement and Key Fact Statement.
- c) The annualised rate of interest shall be intimated to the borrower so that they are aware of the exact rates charged to the account.
- e) The Company shall inform its customers about any increase in fees or charges via different communication channels such as SMS, email, website updates (if any) etc.,