Interest Rate Policy

BACKGROUND:

As per the Reserve Bank of India ("RBI") Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016, the Board of each NBFC shall approve an Interest rate model that is applicable for the Company, taking into account relevant factors such as cost of funds, margin and risk premium, and determine the rate of interest to be charged for loans and advances. Keeping in view the RBI Guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out by the Board of Directors of Pioneer Financial & Management Services Limited (the "Company"). This policy should always be read in conjunction with RBI guidelines, directives, circulars, and instructions.

OBJECTIVE:

To arrive at the benchmark rates to be used for different categories of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

INTEREST RATE:

- The rate of interest and yield for each of the loan product/ account, within the applicable range, is assessed on a case-specific basis, based on the evaluation of various factors detailed below:

    - Cost of Internal and External funds: the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. The internal cost of funds being the expected return on equity is also a relevant factor.

    - Tenure of the Loan & Payment Terms: term of the loan; terms of payment of interest (viz. monthly, quarterly, yearly repayment); terms of repayment of principal, etc.

    - Credit Risk: credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.

    - Opex Cost: it includes employee expenses, operations costs, costs associated with technology, compliance costs, and other expenses.

    - Structuring Premium: A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral or other aspects of transaction structure etc.

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

I. Interest rate risk.
II. Credit and default risk.
III. Historical performance of similar homogeneous clients
IV. Profile of the borrower
V. Repayment track record of the borrower
VI. Subvention available
VII. Ticket size of the loan
VIII. Bureau Score
IX. Tenure of Loan
X. Location delinquency and collection performance
XI. Customer Indebtedness (other existing loans)

The rate of interest for the same product and the tenor availed during the same period by different customers need not be the same-. It could vary for different customers depending upon consideration of all or combination of the above factors.

- Interest rate shall be intimated to the customers at the time of sanction/ availing of the loan and the equated installments apportionment towards interest and principal dues shall be made available to the customer.

- Interest changes would be prospective in effect and intimation of change of interest if any, or other charges would be communicated to customers.

- In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built-in pricing.

- In case of staggered disbursements, the rate of interest would be subject to review and the same may vary according to the prevailing rate at the time of disbursement or as may be decided by the Company.

- The interest rate, benchmark prime lending rate, and other charges applicable from time would be hosted on the website and updated from time to time.

PENAL CHARGES/ LATE PAYMENT CHARGES

As per the RBI Circular dated August 18, 2023 on the Fair Lending Practice - Penal Charges in Loan Accounts:

- Besides normal interest, the Company may collect penal charge/ 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.

- There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

- No claims for refund or waiver of such charges/ penal charge/ 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.

Further the penal charges/such charges shall be levied as per the circular.

PROCESSING/ DOCUMENTATION AND OTHER CHARGES

- All processing/ documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan products, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services of the customers.

OTHERS

The Board is hereby authorized to review the Interest Rate Model of the Company on a periodical basis, so as to keep the same updated as per the market/ regulatory trends in the Country.