

SATYA MICROCAPITAL LIMITED

Pricing Policy

Version 3.0

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1. Objective

The policy aims at laying down guidelines and procedures involved to arrive at the interest rates charged from the customers and the cost of funds. The aim of this policy is to determine the fair charges/fees that should not be usurious and should be stable process. By implementing an effective Pricing policy – SATYA MicroCapital can maintain stable prices, thereby supporting conditions for long term economic growth and generating maximum employment/business opportunities. The Company has formulated a policy framework on “Interest Rate” and shall be put in place with the approval of the Board. Therefore, the policy has framed pursuant to the RBI Guidelines on Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions 2022 as amended from time to time vide Circular No. RBI/DOR/2021-22/89, DoR.FIN.REC.95/03.10.038/2021-22 dated March 14, 2022.

2. Pricing of Credit

In line with the RBI Directions, the Company has formulated Pricing policy which lays down the broad criteria for arriving at interest rate.

- i. The interest rates charged by the company to its borrowers will be all inclusive interest rate and will be documented by the company. There may be different rates for different groups of customers, The rate will be arrived at as per the computation below.

The Interest cost will be summation of below mentioned parameters

- a) The Cost of Funds (including cost of equity/ margin)
- b) Risk cost and premium
- c) operating expenses
- d) expected credit loss

The company will ensure that the maximum interest rate, other charges and fees on loan shall be reasonable and not usurious and would be disclosed to the borrower in the Key fact statement for microfinance loans and also on the website of the Company. The borrower would not be charged any amount which is not explicitly mentioned/ disclosed in the Key Fact Statement.

Note: The condition relating to the maximum rate is not applicable to loans extended by the company against funding by National Scheduled Castes Finance & Development Corporation (NSFDC) and any other specific scheme / specific fund.

- ii. Processing charges shall be charged on sanction loan amount.
- iii. The company shall disclose all interest rate, charges and fees in a standardized key fact statement.
- iv. The Company shall not charge any penalty on pre-payment of microfinance loans at any time. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

- v. The Company shall prominently display the minimum, maximum and average interest rates charges on micro finance loans at its all offices and branches in simple language, and its details shall be available on its website.
- vi. Any change in interest rate or any other change will be informed to the borrower well in advance and these changes will be effective only prospectively from the next quarter (ensuring 3 months notice).
- vii. Further, for any non-qualifying / non microfinance loans the maximum interest rate charged can be higher by 4% of maximum interest rate charged on microfinance loans.
- viii. Issuance of non-credit products will be with full consent of the borrowers and fee structure for such products will be explicitly communicated to the borrower in the loan card itself.
- ix. For Pricing of Products other than MFI products, the pricing shall be as per the specific product policies of the Company comprising the interest rate, processing charges, pre-closure charges, penalty, if any or any other applicable charges as may be determined from time to time which shall be in compliance of the applicable laws.

3. Cost of Funds

The company will take into consideration the following components to arrive at the cost of funds:

- I. Weighted average Cost of funds including cost of equity, Syndication Fees paid to various Consultants, Processing Fees, hedging cost and any other charges paid to various Financial Institutions (FI's)
- II. Average amount of outstanding borrowings from financial institutions at the beginning of the period and end of the period, for which cost of funds is being calculated.

Note: For better and more precise measure, the period for computing the average should not exceed one year and should not be less than one month.

$$\text{Cost of Funds} = \frac{\text{I}}{\text{II}} \times 100$$

However, funds received for specific schemes and its interest charges, will be excluded while calculating Cost of Funds

4. Risk Cost and Premium

The company will take into consideration the following components to arrive at the Risk cost:

- Overall Provisioning percentage on the portfolio.
- Written off portfolio.
- Expected risk of the portfolio basis the geography, type of customers, risk profile of customer, demographics of customer, past portfolio performance, scale of development of the district, incidents of disaster, political risk etc.

Risk cost and premium will be assessed basis the portfolio performance and expected credit loss which will be ascertained quarterly or earlier under uncertain circumstances.

5. Operating cost

Operating cost will be calculated as a percentage of average originated AUM and shall include manpower expenses, depreciation and all other expenses.

6. Margin

The Company ensures a reasonable profit return to achieve growth and sustainable return for its stakeholders. The expected return will be the margin percentage on average originated AUM pretax.

7. Range of Spread:

The range of spread of each component for Microfinance Loans is set out as under:

Component	Range (%)*
Cost of Funds (Debt)	11.00-13.00
Risk cost	2-4
Operating cost	6.00-8.50
Operating margin	2.00-3.50

8. Ceiling on Interest Rate

The Ceiling on the interest rate and other charges shall be as follows:

Item	Ceiling for Microfinance Loans
Interest Rate	26%
Late payment charges on the overdue amount*	-
Processing fee (exclusive of applicable taxes)	1.5%
Insurance (exclusive of taxes)	As per actuals

****Penal Charges in terms of RBI Circular no. DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 as amended from time to time.***

9. Pricing Committee

Pricing of the various loan products will be discussed in the Pricing Committee considering various factors which including the Cost of Funds, Risk Premium, Operating Expenses, Expected Margins, External Market Dynamics and Liquidity Position etc. within the overall regulatory framework and MD & CEO shall be authorized to decide the Pricing of the various Individual Loan Products in the Company.

To review the policy at regular intervals and also to look into the implementation of the Pricing Policy the Board delegated the same to the Pricing Committee which would consists of MD & CEO, Deputy CEO, CFO, CRO, Head Internal Audit and. The Asset Liability Management Committee (ALM) will continue to have the authority and oversight for the pricing policy/framework, including any changes in the underlying framework.

This policy documents shall act as reference (cost of funds, operating cost, margin and Risk cost and premium) for all the products (including Microfinance) of the Company and requisite disclosures, where applicable and mandatory, shall be displayed in terms of applicable laws.

The Pricing Committee would meet on a quarterly basis or at periodic intervals which the committee may decide on any changes/status quo in the interest rate. The Pricing committee's decisions will be put up to the ALM Committee for intimation/noting, in case of any change from the policy framework and in other cases for information.

The Company will publish quarterly rates on its website, branches and offices.

- 10. Disclosures**- The company shall disclose the minimum maximum and average interest rates on its website and update the same as and when the pricing is reset.

11. Amendment of the policy

The Policy shall be reviewed by the Board on annual basis. Further, the policy shall also be amended whenever required due to changes in relevant Regulatory guidelines/applicable laws and the same shall be notified to the Board promptly.

12. Glossary

Abbreviation	Description
FI	Financial Institution
IRDA	Insurance Regulatory and Development Authority
NSFDC	National Scheduled Castes Finance & Development Corporation
RBI	Reserve Bank of India