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**Destiny Finco Private Limited**  
**INTEREST RATE POLICY**

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Registered and Corporate Office: 10/9 Chinar Park 1st Floor, P.O. Hatiara,  
Kolkata, -700157  
Phone: 033- 6607-6500

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# **INTEREST RATE POLICY**

## **DESTINY FINCO PRIVATE LIMITED**

### **Objective:**

The purpose of this policy is to determine the interest rates/fees/charges that DFPL may charge to members.

### **Scope:**

This policy is applicable to all loan holders of DFPL..

### **Guidelines:**

DFPL registered with the Reserve Bank of India as Non-Deposit (ND) taking Non-Banking Finance Company (NBFC) and has a license as NBFC-MFI. In the course of its activities, DFPL will strictly follow various directions, guidelines, circulars and instructions as prescribed by RBI time to time.

As per RBI revised guidelines on pricing, DFPL shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, which covers the followings:

- i. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
- ii. Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
- iii. The range of spread of each component for a given category of borrowers; and
- iv. A ceiling on the interest rate and all other charges applicable to microfinance loans. Interest rates and other charges/ fees on microfinance loans should not be usurious. These shall be subjected to supervisory scrutiny by the Reserve Bank.

### **Components of Interest Rate Pricing:**

As per recent RBI guidelines, components of interest rate pricing can include:

“Cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters

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**Common components of interest rate pricing are**

- (i) Finance Cost.
- (ii) Operational expenses (Op-ex)
- (iii) Loan Loss
- (iv) Risk premium (segmentation based on geography, client profile, products etc)
- (v) Expected profit margin.

***Description of Each component are as follows:***

**1. Cost of Funds**

Cost of funds will be taken as “Borrowing Cost minus Income from Deposit/Quarterly Average Borrowings” Further Borrowings cost may include Interest payment, Arranger fee if any, Processing fee, Documentation charges, stamp duties paid etc.

However, in Destiny the Cost of Fund is **Nil** as the external fund is **NIL**.

**2. Operating Expenses**

Operating cost will include the “Personnel Cost including +Contribution towards Provident Fund+ Contribution towards ESI + Gratuity + Leave Encashment + Bonus and Exgratia + Travel Cost + Group Dev. Cost/Training Cost + Depreciation+ other operational cost)/Average Portfolio Outstanding and other overhead expenses.

**3. Loan Loss**

This will be calculated as average write off percentage in the past 6 years in the institution of the respective loans accounts. Average written off during last 6 years is 0.41%.

**4. Risk Premium**

This will be derived by analysing the past portfolio quality of specific clients/Segment of client/ Respective. There are some suggested way to derive the risk premium associated

- a. Risk premium could be linked to client’s vintage, credit history etc
- b. Risk related to geography could be areas prone to natural calamities, PAR levels, negative areas etc
- c. We will charge 2% as Risk premium.  
data.

**5. Profit Margin**

Profit Margin can be derived considering either sector level “Return on Assets” keeping room to increase and decrease to some extent as considered appropriate and decided by the board or profitability margin can be decided by the board based on future growth of the business.

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### **Interest Rate Calculation Base**

Interest Rate Calculation	Average of Last 6 Years	FY2021-22	FY2020-21	FY2019-20	FY2018-19	FY2017-18	FY2016-17
Finance Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Cost	25.04%	24.04%	23.72%	23.56%	26.33%	26.43%	26.19%
Provision for Loan Loss	0.18%	0.16%	0.91%	0.00%	0.00%	0.00%	0.00%
Risk Premium	2.00%						
Profit Margin	5.96%						
<b>Average Lending Rate for Micro Finance Loans</b>	<b>33.18%</b>						

#### **Processing Fee:**

DFPL charge only 2% (excluding GST) as processing fee.

#### **Penal Interest/ Late Payment Charges:**

DFPL does not accept any late payment charges besides normal interest.

**Other Charges:** All processing and other charges recovered are clearly stated in the Loan Documents. While deciding the charged all practices followed by other competitors in the market would also be taken into consideration.

#### **PRICING APPROVAL**

Interest rate and other charges shall be approved and reviewed quarterly by the DFPL within the ceilings set by this policy. Any deviation to the policy terms shall be approved by the Board. Basis the risk profile of each geography and the category of the borrower, company may charge different Effective interest rate to the borrower subject to prior approval of DFPL within the range as defined in the policy.

#### **DISCLOSURE OF PRICING INFORMATION**

The Company shall disclose pricing related information to a prospective microfinance borrower in a standardized simplified factsheet. The Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. Any change in interest rate or any other charge shall be informed to the borrower well in advance and this changes shall be effective only prospectively.

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