

Policy Title	LOAN PRICING POLICY
Owner of the Policy	Compliance Department
New/Renewal	Renewed
Last date of Renewal	29 th August 2024
Periodicity of Renewal	Annually/or earlier if required
Date of Renewal	29 th August 2025

For Board of Directors
Sarwadi Finance Pvt Ltd



Diksha Shah
(Managing Director & CEO)

Registered Office:

Sarwadi Finance: 31, Ganga Jamuna, 28/1, Shakespeare Sarani, Kolkata 700 017 (033) 4021 4300 info@sarwadi.in www.sarwadi.in

Nipha Group: 48, Ganga Jamuna, 28/1, Shakespeare Sarani, Kolkata 700 017 (033) 4021 4300 nipha@niphaIndia.com www.niphaIndia.com

SARWADI FINANCE PRIVATE LIMITED

CIN: U67100WB2017PTC235052

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INTRODUCTION

Pricing policy refers to a company's approach to determining the price at which it offers its goods or services to the market. It helps companies remain profitable and allows flexibility to price separate products differently and systematically.

Sarwadi Finance Pvt Ltd (SFPL) has formulated this Policy with reference to the Master Direction-Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023 dated October 19, 2023.

SUMMARY

This policy lays down the premise for determining pricing for loans that SFPL offers to its customers. It covers all loans offered by the company, including –

- Microfinance loans as defined by the extant RBI guidelines i.e. Qualifying Assets
- Non-microfinance retail loans i.e. non-qualifying assets
- Any other loans as approved by the Board of SFPL

This policy shall be in compliance with the RBI guidelines and SFPL's Fair Practices Code. It will take in consideration the risk appetite of the Company and the principles of risk adjusted return.

POLICY COVERAGE

This policy covers the following: –

- Components of pricing applicable for all loans (microfinance and non microfinance)
- Spread applicable for microfinance loans.
- Ceiling on interest rate and other charges applicable for microfinance loans
- Delegation of authority for pricing approval

GENERAL GUIDELINES:

1. SFPL shall disclose pricing related information to a prospective borrower in a standardized simplified fact sheet (mentioned as per Annexure I).
2. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
3. Interest rates and other charges/ fees on microfinance loans shall not be usurious.
4. There shall be no pre-payment penalty on microfinance loans.
5. Penalty will be charged for delayed payment on the overdue amount.
6. Any change in interest rate or any other charge shall be informed to the borrower.
7. SFPL shall not collect any security deposit/margin from the borrower.

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8. SFPL 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.
9. The pricing shall be subjected to supervisory scrutiny by the Reserve Bank.

PRICING FRAMEWORK FOR QUALIFYING ASSETS

The pricing framework will have two main components:

- i. Interest Rate &
- ii. Other Charges

i. INTEREST RATE PRICING

Interest rate pricing will be based on various parameters, including but not limited to:

- a. Cost of funds
- b. Operational Cost
- c. Risk Premium including business risk, credit costs & liquidity risk.
- d. Profit Margin or Desired Return on Assets (ROA).

Pricing formula of Prime Interest Rate=Cost of Funds + Operating cost + Risk premium+ Profit margin.

Formula of all Inclusive Interest Rate=Prime Interest Rate + Processing/upfront fee + other charges

a. Cost of Funds

The Cost of funds is an average of all the financial expenses borne by the company to ensure liquidity for extension of microfinance loans. These may include borrowing funds from banks, fund raising or pledging of the investments to raise borrowings and maintain liquidity buffer in the form of investments into liquid.

b. Operational Cost

The operating costs are the ongoing expenses incurred for the normal day-to-day running of a business. Such as costs related to end-to-end loan cycle, including underwriting & collections, operations, employees, fixed assets & infrastructure, technology, management & administration, sales, marketing & promotions, compliance costs, audit fees, rent, printing & stationery, advertisement, professional fees, rates & taxes, membership fees, client verification charges, electricity charges, bank charges, filling fees, legal fees among other things.

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c. **Risk Premium**

The risk component is a variable component which is analyzed based on the risks involved in the extension of loan to a borrower. It covers all the risks which the Company is exposed to, including but not limited to credit risk, operational risk and systemic risks. The Company will cover its risks through a combination of loss provisions and insurance.

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 will be assessed on the basis of portfolio performance and Expected Credit Loss which will be ascertained annually or earlier under uncertain circumstances.

d. **Net Profit Margin**

Profit Margin is the relative profitability of the business activity by accounting for the costs involved in providing services to the borrowers. Also, the Company aims to expect return on assets, in order to sustainably deliver its services to customers as a going concern.

The expected profit margin shall be decided by Board based on future growth.

ii. **OTHER CHARGES**

Other Charges includes the following:-

- a. **Processing Fees-** It is a one-time Charge to be borne by the borrowers to cover the costs incurred by the company on the loan process. This mainly includes Documentation Charges, Credit Bureau Checking fees, admission/renewal charges, membership charges, sms& phone verification charges, etc.

The Processing fee charged will be decided in the ALCO-Pricing Committee and will be in line with regulatory norms.

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- b. **Penalty on Delayed payment**-Interest arises due to delay or failure in payment. SFPL will charge a penalty for delayed payment by the borrower. The Penalty will be charged only on the overdue amount for the number of days of default at the same rate in which interest is charged on the loan amount.
- c. **Insurance Premium**-Insurance fee is a nominal charge to mitigate the risk component at the end of both the borrower/co-borrower and the Lender. Premium amount for credit linked insurance.

CALCULATION OF INTEREST RATE

The range of spread of each component for microfinance loans are as follows:

Sl No	Particulars	Range
A.	Cost of funds	12.0% - 15%*
B.	Operational Cost	9.5% - 10%
C.	Risk premium (Includes insurance fees)	0.6% - 1.8y%
D.	Margin	2.9% - y%
	Total Interest (A+B+C+D)	25% - 26.5%

PRICING OF MICROFINANCE LOANS

The ceilings on interest rates and other charges shall be as follows -

Sl No	Other Fees and Interest	Ceiling for Microfinance Loans
A	Total Interest Rate	25% to 26.5%
B	Processing/Upfront Fees & Charges (excluding GST)	1.5%
C	Insurance Premium amount for credit linked insurance	Actuals
D	Late payment charges on the overdue amount	Upto 2% on the overdue amount *
E	GST and other statutory duties & fees	As per actuals
	Total Cost of Credit (A+B+C+D+E)	26.5% to 28%

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PRICING FRAMEWORK FOR NON- QUALIFYING ASSETS

To cater to the diverse spectrum of borrowers, SFPL is also planned in funding to non-MFI borrowers who does not qualify as MFI customers as per the RBI regulations. The business under this segment would be restricted as per the RBI regulations for NBFC-MFIs, which is 25% of Total Assets of the Company currently.

The pricing for these segments of borrowers will be as decided by the Asset Liability Committee (ALCO).

The components for pricing Prime Interest Rate for non-MFI will remain the same but not limited to Cost of Funds, Operational cost, Risk premium and margin.

The Interest Rate cap for Non-Qualifying Assets lending will be capped at a Max rate of 29%*. Similarly, the Loan processing fee will be capped at a max rate of 2%* of the Loan amount.

PRICING APPROVAL

Interest rate and other charges shall be approved and reviewed quarterly by the ALCO within the ceilings set by this policy. Any deviation to the policy terms shall be approved by the Board.

On the basis of the risk profile of each of the geography and the category of the borrower, company may charge different Effective interest rate to the borrower subject to prior approval of ALCO within the range as defined in the policy.

REVIEW

The Board shall review the pricing policy annually or at a defined periodicity to align with regulations, market developments and external environment. The lender shall apply any changes in pricing prospectively.

COMPLIANCE

The Audit department to monitor the compliance of the pricing policy and report the non-adherences/irregularities to the Pricing Committee and the Board.

DISCLOSURE

The pricing information should be disclosed to customers in terms of standard content format and modes of dissemination along the lines below. Further, this information will also be reported to the RBI and Self- regulatory organization (SRO), as required by them. Disclosures shall also be in vernacular in branches and other operational areas.

- The company will publicly disclose the pricing framework and effective interest rate to client including all charges – other than interest rate, any other charges should be separately disclosed and be part of Annual Percentage Rate (APR). In case of differential pricing, the spread- range for all the products and customer segments (if applicable).

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- For sake of transparency, the interest rate will be an all-inclusive interest rate.
- The pricing information will be disclosed on the website, marketing collateral, loan documents (application form, sanction letter, agreement, loan statement/card, factsheet) and SRO.
- The borrower shall not be charged any amount which is not explicitly mentioned in the loan card/factsheet.
- The effective interest rate shall be communicated to the customers at the time of application/sanction.
- In case of any changes in the rates and charges, the same will be updated in the marketing collaterals, website and other relevant documents.
- Members shall provide a loan card to the borrower which shall incorporate the following:
 - i. Information which adequately identifies the borrower;
 - ii. Simplified factsheet on pricing;
 - iii. All other terms and conditions attached to the loan;
 - iv. Acknowledgements by the RE of all repayments including installments received and the final discharge; and
 - v. Details of the grievance redressal system, including the name and contact number of the nodal officer of the RE and RBI Ombudsman (For applicable REs)
 - vi. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself. Clients shall not be bundled Third party products

LIST OF ABBREVIATIONS

SFPL	Sarwadi Finance Private Limited
RE	Regulated Entity
RBI	Reserve Bank of India
EIR	Effective Annualized Interest Rate
ROA	Return on Assets
MFI	Micro Finance Institutions
XIRR	Extended Internal Rate of Return

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Factsheet on Pricing of Microfinance Loans

Date: XXX

Lender's Name: XXX

Applicant Name: XXX

SL NO	PARAMETER	DETAILS (in Rupees)
1.	Loan amount(amount disbursed to the borrower)	XXX
2.	Total interest charged during the entire tenure of the loan	XXX
3.	Other up-front charges (break-up of each component to be Given below)	XXX
4.	Processing fees	XXX
5.	Insurance charges	XXX
6.	Others(If any)	XXX
7.	Net disbursed amount((i)-(iii))	XXX
8.	Total amount to be paid by the borrower (sum of (i), (ii) and (iii))	XXX
9.	Effective annualized interest rate (in percentage) (computed On net disbursed amount using IRR approach and reducing balance method)	XXX
10.	Loan term(in months)	XXX
11.	Repayment frequency by the borrower	XXX
12.	Number of installments of repayment	XXX
13.	Amount of each installment of repayment	XXX
Details about Contingent Charges		
14.	Borrower shall not be charged any penalty on prepayment of loan at any time.	
15.	Penal charges in case of delayed payments(if any)	
16.	Other charges (if any)	

ANNEXURE-II

FACTSHEET

Customer ID	0010003141	Disbursed Loan No	:0180000594
Customer Name	:MALINA ANDAL	Loan Amt(Rs.):	20000
Co-Borrower Name	: SAJAL MONDAL	Total Interest (Rs.)	: 2514
CSR Name	: MD ASHIQUE HOSSEN	Int Rate(%)	:25.00%
Center Name:	KONACHARAKDANGAMAT	Loan Cycle	:1 st Cycle
Group No	0010000596	Disbursed Date	:20/08/2025
Group Name	:KRISHNAMALICK	No of Installment	:23+1
Bank Name	:UNIONBANK	1stInstallmentDate	:08/09/2025
Account No	021112010003346	Repayment Frequency	:Bi-Weekly
IFSC Code	:UBIN0802115	Total Insurance(Rs.)	:200.00
Purpose	:BUILDINGMATERIALS	Processing Fees(Rs.)	:300.00 (1.50%)
Loan Scheme	:12MFI20	GST(Rs.)	:54.00
Restructure Loan No	:	Loan Tenure (In Month)	:12
Insurance Company	:KOTAKLIFEINSURANCE	Tot. Amt. To Be Paid By Member(Rs.:	23,068.00
Effective IR	:31.75%	Net Disb. Amount(Rs.)	:24,446.00

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ANNEXURE-III
DETAILED REPAYMENT SCHEDULE

Inst No.	Due Date	Principal Due (Rs.)	Interest Due (Rs.)	Installment Due(Rs.)	Principal (Rs.)	Outstanding
1	08-09-2025	₹ 690.00	260	₹ 950.00		19310.00
2	22-09-2025	765	185	₹ 950.00		18545.00
3	06-10-2025	772	178	₹ 950.00		17773.00
4	20-10-2025	780	170	₹ 950.00		16993.00
5	03-11-2025	787	163	₹ 950.00		16206.00
6	17-11-2025	795	155	₹ 950.00		15411.00
7	01-12-2025	802	148	₹ 950.00		14609.00
8	15-12-2025	810	140	₹ 950.00		13799.00
9	29-12-2025	818	132	₹ 950.00		12981.00
10	12-01-2026	826	124	₹ 950.00		12155.00
11	26-01-2026	833	117	₹ 950.00		11322.00
12	09-02-2026	841	109	₹ 950.00		10481.00
13	23-02-2026	849	101	₹ 950.00		9632.00
14	09-03-2026	858	92	₹ 950.00		8774.00
15	23-03-2026	866	84	₹ 950.00		7908.00
16	06-04-2026	874	76	₹ 950.00		7034.00
17	20-04-2026	883	67	₹ 950.00		6151.00
18	04-05-2026	891	59	₹ 950.00		5260.00
19	18-05-2026	900	50	₹ 950.00		4360.00
20	01-06-2026	908	42	₹ 950.00		3452.00
21	15-06-2026	917	33	₹ 950.00		2535.00
22	29-06-2026	926	24	₹ 950.00		1609.00
23	13-07-2026	935	15	₹ 950.00		674.00
24	27-07-2026	674	6	₹ 680.00		0.00

Note: This is the sample of one of our Loan product of 12 months and with the loan size of Rs 20000/-.



Diksha Shah
 (Managing Director & CEO)

Date: 29.08.2025

Place: Kolkata

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