

Interest Rate, penalty Charges, and Other Fees Policy

1. INTRODUCTION

Sonu Marketing Private Limited (“the Company” or “SMPL”) is a Non-Banking Finance Company registered with Reserve Bank of India (“RBI”). The Company is presently engaged in the business of providing short term personal loans and advances without any collateral and/or security. The Company has laid out appropriate internal principles and procedures in determining Interest Rate, Overdue and other Charges and also made it available on its website, and shall update whenever there is a change. The Board of Directors of the Company has adopted the Policy for Determining Overdue Charges/Penalties (“the Policy”) in accordance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023, Guidelines on Digital Lending and other regulations applicable to the Company, in order to lay out appropriate internal principles and procedures in determining charges. Keeping view of the RBI Guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out by the board of the Company. This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The Company will apply the best industry practices so long as such practice does not conflict with or violate RBI guidelines.

2. OBJECTIVES

The primary objectives of this Policy are to:

1. Ensure that the interest rates charged by the Company are transparent, fair, and in compliance with regulatory requirements.
2. Communicate the annualised rate of interest to the borrower along with the approach for risk gradation and rationale for charging different rates across borrower categories.
3. Provide clarity regarding the methodology and rationale behind the determination of interest rates.
4. Outline the factors considered in the determination of interest rates and other charges.
5. Outline broad principles for levying penal charges in a fair and consistent manner.

3. INTEREST RATE MODEL

The Company lends money to its customer mainly through digital platforms through fixed interest rate loans and has various products to cater to the needs of different category of customers.

The interest rate under each product is decided from time to time, giving due consideration to the following factors:

- 1. Cost of Funds:** The cost of funds, including the cost of borrowings and other associated costs.
- 2. Credit Risk:** The credit risk profile of the Customer, including their credit history, repayment capacity, and overall financial stability.
- 3. Nature of lending:** The nature of lending, the associated principal / tenure.
- 4. Loan Tenure:** The duration of the loan, with different rates applicable for different loan tenures.
- 5. Market Conditions:** Prevailing market conditions, including interest rates in the banking and financial sectors.

6. Operating Costs: Administrative and operational costs associated with the loan.

7. Regulatory Requirements: Compliance with RBI guidelines and other statutory requirements.

4. FIXED INTEREST RATE

The Company offers standard interest rate to the Borrowers of 0.1% per day. This interest rate shall be applied proportionately for the loan tenure.

5. PRODUCT WISE FEES AND CHARGES

Besides interest, other financial charges like processing fees which can range from 10-15% on the sanctioned loan amount, documentation fees, late payment charges, technology charges, pre-payment / foreclosure charges, and other cess at the rates as applicable from time to time) etc., would be levied by the company. A mention of such charges will be included in the Loan Agreement/Key Fact Statement (KFS) to be executed with the customer. Besides the above charges, stamp duty, service tax, GST and other cess would be collected at applicable rates from time to time.

6. OVERDUE CHARGES

Company shall collect delayed / late payment charges for any delay or default in making payments of any dues. These delayed / late payment charges for different products or facilities would be decided by the Company from time to time.

i. Key Principles

In compliance with the referred circular and Directions issued by RBI, the key principles based on which the terms and conditions for penal charges have been framed are as follows:

- The intent of levying penal /charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest.
- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest'.
- There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- No additional component shall be added to the rate of interest.
- The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

ii. Structure of Penal Charges

Currently, penal charges are only to be levied if repayments are not made by the respective due date and penal charges are not envisaged for any other non-compliances related to other terms and conditions of the loan.

Further, the quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS), in addition to being disclosed on the Company website (pursuant to RBI Guidelines on Digital Lending dated September 02, 2022 and RBI Circular dated April 15, 2024 on Key Fact Statements for Loans and Advances) and the loan agreement. In addition to reminders sent to borrowers for non-compliance of material terms and conditions of loan, the Borrowers shall also be communicated about the applicable penal charges alongwith the instance of levy of penal charges and the reason thereof.

7. ANNUAL PERCENTAGE RATE (APR)

The Company will disclose the annualized effective rate (APR), which represents the total cost of the digital loan to the borrower in the loan documentation. The APR represents the annualized effective cost of the digital loan, expressed as a percentage, and includes not only the nominal interest rate but also all applicable fees and charges associated with the loan. This ensures that borrowers have a clear and standardized understanding of the total cost of credit over a one-year period, allowing for informed comparison with other loan products."

8. COMMUNICATION

- a. Loan Charges shall be intimated to the customers at the time of sanction / availing of the loan.
- b. This Policy shall be uploaded on the website of the company and any change in the charges shall be updated in the Policy from time to time.

9. REVIEW OF THE POLICY

The Policy shall be reviewed once a year or in between, if so required at any stage at its own discretion of Board of Directors of the Company.