




PRICING POLICY

*The Board of Directors has reviewed
and adopted in the board meeting held
on 04/09/2024*



Authorized Signatory

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1. INTRODUCTION

SHARE Microfin Limited (hereinafter referred to as “Company” or “SML” or “SHARE”) is registered NBFC-MFI provides financial services to low-income households, creating opportunities for self employment for the underprivileged and training rural people in simple skills enabling them to utilize the available resources and contribute to employment & income generation in rural areas.

2. OBJECTIVE

The main Objectives of the Pricing policy are to:

- The company’s primary objective of pricing is for Long-term sustainability
- Set interest rates based on the interest rate model suggested by the regulators
- Fix the reasonable interest rates considering the Operational costs of the business, risk factors and reasonable, market-competitive rate of return.

3. REGULATORY GUIDELINES

3.1 The Reserve Bank of India vide its circular **DoR.FIN.REC.95/03.10.038/2021-22** dated March 14, 2022, advised the Boards of NBFCs to lay down approved policy regarding the Pricing of Microfinance loans which shall cover:

- 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 the microfinance loans.

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4. COMPONENTS OF PRICING

The Company lends income-generating loans to low-income households through fixed-interest rate loans and may have different products to cater to the requirements of end customers.

The lending rate of every product shall be decided considering the following components:

Cost of Funds:

The Company borrows funds through Debt through term loans, debentures, CPs, subordinated debts, etc. from various lenders and through Equity by issuance of equity shares. The expected cost of funds raised through Equity and Debt, including its associated cost, will be considered while determining the interest rate.

Operating Cost:

The operating cost should include employees cost, sales incentives, fixed assets and infrastructure costs, technology, general administration costs, marketing, etc. while deciding the interest rates for the product.

Risk Premium:

It covers the risks that the Company is exposed to, including but not limited to credit risk, operational risk, and systematic risks. The risk associated with different categories of borrowers, tenure of the loan product, past repayment track record, customer vintage, customer segment, inherent credit and default risk in the product, events like natural calamities, and political, etc. should be considered while deciding the interest rates for different products, category of customers by the Company.

Margin:

A reasonable margin should be added to the lending rate for different products, and categories of customers.

5. RANGE OF SPREAD

The illustrative range of spread of each component for Microfinance loans is as follows:

Component	Range	Rationale
Cost of Funds	13%-16%	It is based on the projected borrowing cost
Operating Cost	9%-11%	It is based on projected operational cost
Risk Premium	1%-3%	It is based on the historical trend and operational/credit risk observed by the Company
Margin	1%-2%	It is based on pre-tax expected Return on Assets and net surplus

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6. CEILINGS

Considering the components, the Board of Directors of the Company has decided the ceiling on the interest and fees on Microfinance loans shall be as follows -

Item	Ceiling for Microfinance Loans
Interest Rate	21% - 27%
Upfront Fees & Charges (excluding applicable taxes)	1% - 3.5%
Prepayment penalty	Not applicable
Late payment charges on the overdue amount	Up to 2% on the overdue amount
GST and other statutory duties & fees	As per actuals

These rates will only be applicable to On-Balance Sheet lending. Lending rates and Processing fees for Off Balances Sheet lending will be decided based on the requirements and discussions with the respective lenders/principals.

Interest rates and other charges/ fees on microfinance loans should not be usurious.

Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

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 in detail on its website.

7. SIMPLIFIED FACTSHEET

The Company shall disclose pricing-related information to the customer through a standardized simplified Factsheet containing the details of Loan amount, total interest charged, and other charges levied by the company on the borrower.

The company shall not charge any amount which is not explicitly mentioned in the factsheet.

The factsheet shall also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households.

This factsheet shall be provided to the borrower along with loan card / passbook.

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8. POLICY REVIEW

The interest rate models, base rate and other charges applicable shall be reviewed by the Asset Liability Management Committee periodically and make suitable recommendations to the Board.