

## Preface

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices for NBFCs, as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

### ➤ **Reference Lending Rate Model**

The RLR will be arrived at based on the weighted average cost of funds (including all charges), operational Cost, Expected credit risk premium, capital charge and profit margin associated with borrowers. The company will decide the reference lending rate model. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

1. **Cost of Fund** : Cost of fund is blended cost of the resource raised by the company from various lenders viz. banks, capital market, HNIs, other institutional traders etc.
2. **Operational Cost**: To carrying on the business, the company is required to take various cost, business expenses, and depreciation on assets etc. This operational cost is arrived for the year is loaded in reference lending rate.
3. **Expected Credit Loss**: Lending to riskier business where company has to make provision as per standard and NPA as per RBI Guidelines and also give provision to w/off the non recoverable accounts. Since the company does not have historical data to arrive the expected credit cost, this will be taken from the similar industry operating in the same sector.
4. **Expected Profit**: A suitable mark up for the profit has to be added based on the reference lending rate. All the floating rates will be benchmark to this rate with the positive or negative spread over reference lending rate. With the change in the cost of fund reference lending rate may be decrease or increase as per the decision of ALCO committee.
5. **Capital Adequacy**: Most of the lender of the company falls under 100% of the risk category which keep on going ups and down as per RBI Guidelines. Minimum required cost of capital for the purpose of capital adequacy has to be considered.

### ➤ **Approach for Gradation of Rate of Interest**

The pricing of Individual product/profile based on the other parameters and positive and negative parameters based on the risk involvement and operating cost. In case of margin funding operating cost is minimum. The risk premium attached with a customer shall be assessed *inter-alia* based on the following factors:

- a) profile and market reputation of the borrower,
- b) inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed,
- c) tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients,
- d) group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment
- e) nature and value of primary and secondary collateral / security,
- f) type of asset being financed, end use of the loan represented by the underlying asset,
- g) interest, default risk in related business segment,
- h) regulatory stipulations, if applicable,
- i) and any other factors that may be relevant in a particular case.
- j) Other Factors - Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

➤ **Modalities of Changing Interest Rate:**

Basic philosophy of the company as per RBI Guidelines is that customer of similar nature availing loan for similar product will be charged at same rate of interest which means company will not discriminate similar type of customers and products.

➤ **Modalities of deciding the spread rate:**

1. **Tenure:** Tenure of loan that is the period for which loan has been extended
2. **Nature of Product:** that is secured/unsecured/partially secured /Nature of security whether cash security or other tangible security etc.
3. **Nature of customer profile:** For example salaried customer, IT Assessment, Salaried customers with banking transaction without regularly filing of IT Return, cash salaried customers, self employed customer, regularly filing of IT Return, self employed customer not filing return and customer in informal segment.
4. **Location of customer:** Whether customer is approachable or not.
5. **Cautious profile of the Customer:** As described by the company in its policies.
6. Credit Bureau Score
7. Any other risk factor

➤ **Deviation:** Company may charge 0.5% extra for deviation from the company policy.

➤ **Processing Fee:**

Minimum processing fee will be applicable subject to change at company's discretion.

➤ **Reference lending Rate :**

- a) At present the Annualized Rate of Interest\* to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below :

<b>Lending Assets/ Sector</b>	<b>Range of Interest</b>
Margin Lending	14% to 20% p.a.
Mortgage Lending	15% to 20% p.a.
FI-Lending	15% to 20% p.a.
Unsecured Lending	20% to - 36% P.a.

\* in exceptional circumstances, based on risk perception, this may fall outside the indicated range.

- b) Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower.
- c) Besides normal Interest, the Company may levy additional interest for adhoc facilities, penal interest / default interest for any delay or default in making payments of any dues. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and communicated in the sanction letter.
- d) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment / foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS / other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
- e) These charges would be proposed by the respective Credit Team(s) of Corporate and SME & Retail Credit Segments of the Company's business and decided upon by the Corporate Lending Committee (CLC) and Retail Lending Committee (RLC), respectively.
- f) The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the management's perceived risk on a case to case basis.
- g) Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.
- h) Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.

- i) The interest re-set period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- j) In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.
- k) Claims for refund or waiver of charges/ penal interest/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

➤ **Content on the website**

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Company website.