



INTEREST RATE POLICY

Introduction

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and its Guidelines on Fair Practices Code 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 risks on their website. In this regard, the RBI Master Direction DNBR.PD. 008/03.10.119/2016-17 dated September 01, 2016 advised that Boards of applicable NBFCs to lay out appropriate internal principles and procedures for determining interest rates and processing and other charges for their loans and advances. In compliance with these regulatory requirements 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.

Scope

- ❖ To ensure that interest rates are determined in a manner as to ensure long term sustainability of business by taking into account the interests of all stakeholders.
- ❖ Develop and adopt a suitable model for fixation of interest rate.
- ❖ Enable computation of interest is transparent, accurate and fair.
- ❖ To ensure better relationship with customers.

Policy framework

A. Method for calculation of interest

- i. Interest rate shall be quoted only on Annual Basis.
- ii. Rate of interest will be determined after considering cost of funds, operation cost, risk factor, tenure, liquidity, competition, other factors etc.
- iii. The interest shall be charged for a minimum period of 7 days or Rs. 20/- whichever is higher.
- iv. For calculating the interest amount, number of days in a year shall be taken as 365 days.

B. Risk based gradation of Interest rates

- i. Considering the nature of the loans (collateral valuation being vital) the major inherent risk is the Loan to Value (LTV) or Loan per Gram. Since a higher LTV translates to a higher risk it stands to reason that LTV and Interest rate should be correlated. Accordingly, assuming all other factors to be the same a higher LTV loan should attract a correspondingly higher interest rate as compared with a lower LTV loan.
- ii. The LTV linkage with interest rate shall be at the time of sanction of loan and cannot be changed subsequently due to movements in the overall collateral coverage arising from market movements in gold prices.
- iii. Where substantially low rates of interest are charged on certain / special schemes or in specified regions/areas / branches the maximum amount per borrower shall be appropriately restricted and checks put in place to prevent misuse of the facility. Such schemes shall be periodically reviewed and appropriately modified to meet with the overall objectives of floating such schemes.

C. Maximum/Ceiling Interest rate on Loans

- i. Keeping in view the regulatory (RBI) expectations from NBFCs and also the Fair Practices Code the maximum interest rate chargeable shall be fixed at applicable RBI

guidelines across all states / regions excluding compounding effect, penal interest, other charges where applicable under any schemes.

- ii. The above mentioned ceiling shall be reviewed periodically at quarterly (calendar) intervals or more frequently, as and when required, by the Board of Directors keeping in view regulatory guidelines / directives, intensity of competition in the market, net interest margin target, market rates etc.

D. Penal Interest on overdue loans

The penal interest on overdue loan shall be charged at such rates as specified in the Loan Scheme from time to time.

E. Rebate on interest

Rebate on interest shall be solely at the discretion of the Company. The Company may grant rebate on interest to the customers recommended by the branch manager only with the approval of General Manager and Director, followed by the approval of Managing Director.

F. Due date for servicing interest

Interest will be calculated from the date of disbursement and shall be charged for the day of closure of the account also as per current practice. The due date for payment of interest shall run from the date of disbursement.

G. Grace Period

The Company is not grant any grace period for the customers at present. In special cases the Company at its sole discretion may grant grace period of customers recommended by the Branch Manager only with the approval of General Manager, Director and Managing Director.

H. Other charges for recovery of expenses

- i. The Company may also levy other charges in addition to the rate of interest such as processing fee, insurance, Statement of account, postage, legal expenses etc. The levy of these charges shall be based on various loan products. The rate of charges and fee shall be as stated in **Annexure-A**.
- ii. Discretion to waive / reduce the charges shall be vested with **General Manager** on a case to case basis after suitable delegation of powers is worked out and approved.

