



## **INTEREST RATE POLICY**

## **Preface**

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies("NBFC") to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. Further vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide 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 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.

### **I. Interest Rate Model**

- The interest rate and yield for each of the loan product would be decided by the Asset Liability Management Committee (ALCO) from time to time.
- The rate of interest shall be determined based on term of the loan; terms of payment of interest (viz. monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment, back ended payment schedule, zero coupon structured loans, etc.
- The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the cost of fund, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings & credit worthiness of the customers, industry trends, etc.
- The rate of interest shall factor the costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer. The Company will also factor in the markup to reflect other costs / overheads to be charged to the loan and the designed margin.
- The company may adopt an interest rate model whereby the rate of interest for same product and tenor availed during same period by customers would be different from customer to customer depending upon consideration of any or combination of a few or all factors listed out above. Hence, the interest rate applied would be different from customer to customer and his/ her loans.
- The annualized rate of interest would be intimated to the customer. The interest rates would be offered on fixed, floating, variable basis. The prime lending rate for the floating rates would be reviewed periodically. In case of floating rate of interest, the interest rate would be reviewed and

#### *Interest Rate Policy*

decided by the Company from time to time. The estimation and the methodology for calculating the SBFC PLR may be changed at any time with the approval of the ALCO.

- The interest rate would be computed on daily balances basis and charged on monthly rest or such other rest as the committee decide in accordance with applicable rules and regulations. –
- Interest rates shall be intimated to the customers at the time of sanction/ availing of the loan and the equated installments apportionment towards interest and principal dues shall be made available to the customer.
- Interest changes would be prospective in effect and intimation of change of interest, if any, or other charges would be communicated to customers.
- In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing in line with the product program of the company.
- In case of staggered disbursements, the rate of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursement or as may be decided by the Company.

## **II. Additional Interest, Penal Interest, Charges etc**

- 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 the loan agreement and communicated in the sanction letter.
- In addition, the Company may levy processing / documentation and other charges recovered are expressly stated in the Loan documents. other financial charges like processing charges, documentation 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.
- Such additional interest, penal interest, any other charges, processing fees etc may vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
- 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.
- Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.

*Interest Rate Policy*

- 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.
- 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.

**III. Content on the website**

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