Interest rate policy and gradation of risks

(I) Preface

Reserve Bank of India (RBI) vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised Non Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001/ 2008-09 January 2, 2009 and DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013.

Keeping in view the RBI's guidelines as cited above, and the good governance practices, the following internal guidelines, policies, procedures and interest rate policy have been adopted by the Company for its lending business.

(II) Methodology

1. The base interest rate will be arrived at based on the weighted average cost of funds, risk premium, other costs such as administrative expenses and profit margin.

2. The base interest rate applicable to each loan account will be assessed based on multiple parameters like:

   a) Nature of lending, for example unsecured/secured, and tenure;

   b) Nature and value of securities and collateral offered by customers;

   c) Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record, external ratings of customers, credit reports, customer relationship, future business potential etc;

   d) Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the loan portfolio;

   e) Industry trends - offerings by competition

3. The base interest rate is reviewed periodically by the ALM Committee.

4. The rates of interest for the same product and tenor availed during same period by different customers need not be standardized but could be different for different customers depending upon consideration of any or combination of a few or all factors listed above.

5. The Company shall intimate the borrower loan amount, annualized rate of interest and method of application at the time of sanction of the loan along with the tenure and amount of monthly installment.

6. The other charges such as processing fees, additional interest charged on delayed payments and cheque bouncing charges shall be mentioned in the sanction letter/MID/loan agreement.

7. The rates of interest applicable to each loan account is subject to change as the situation warrants and is subject to the Management's perceived risk on a case to case basis.

8. Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained by the company and it is at the sole discretion of the company to deal with such requests if any.

9. The rate of interest charged to our customers is linked to the base rate which is determined on the basis of weighted average cost of funds, risk premium, other costs such as administrative expenses and profit margin. The mark up over the base rate varies from 200 bps to 1300 bps depending on the risk profile of the customer, available security, client's reputation/ positioning in the market, past track record, financial standing etc. Accordingly, the present rate of interest charged to our customers is in the range of 13% to 28% p.a. payable monthly.