

# Anand Rathi Global Finance Limited



## INTEREST RATE POLICY

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## PREFACE

Reserve Bank of India (RBI) vide its notification No DNBS. 204/CGM (ASR) - 2009 dated January 2, 2009 and vide its guidelines on Fair Practices code (FPC) for NBFCs DNBS. CC.PD. No 266/03.10.01/2011-12 dated March 26, 2012 have directed all NBFCs to communicate the annualized rate of interest to the borrower along with the approach of gradation of risk and rationale for charging different rate of interest to different categories of borrowers. RBI also reiterated that NBFCs to make available the rates of interest and the approach of gradation of risks on the website of the Companies.

Keeping in view the RBI's guidelines as cited above, and the good governance practices, the Company has adopted the following internal guidelines, policies, procedures and interest rate model, for its Lending.

This needs to be taken into cognizance of while determining interest rate and other charges, and changes thereto.

### **I. INTEREST RATE MODEL**

The business model of the Company focuses on providing credit to customers meeting the credit standards of the Company for varying tenors. 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:

- a) **Internal and External Costs of Funds** - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- b) **Tenor of the Loan & Payment Terms** - 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.
- c) **Credit Risk** - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.
- d) **Operating/Overhead cost** : It includes employee expenses, operational cost, etc
- e) **Margin**: A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
- f) **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.

## **II. APPROACH FOR GRADATION OF RISK**

The rate of interest for loans for various business segments and various schemes thereunder is arrived after adjusting for spread by the relevant business segment. The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- a) Interest rate risk
- b) Credit and default risk in the/ related business segment
- c) Historical performance of similar homogeneous clients
- d) Profile and market reputation of the borrower
- e) Industry segment
- f) Nature and value of collateral security Secured Vs unsecured loan
- g) Ticket size of loan
- h) Credit Bureau Score
- i) Tenure of Loan
- j) Location delinquency and collection performance
- k) Customer Indebtedness (other existing loans)
- l) regulatory stipulations, if applicable, and
- m) any other factors that may be relevant in a particular case and as deem fit by the Board of Directors of the Company (“Board”).

The rate of interest for the same product and tenor availed during the same period by different customers need not be the standardized one. It could vary for different customers depending upon consideration of all or any combination of above factors.

While deciding the interest rate and other charges, the rate offered by the Competitors in the market would also be taken into consideration.

## **III. RATE OF INTEREST**

- i. Interest rates offered could be on fixed rate basis or floating / variable rate basis.
- ii. In case of floating / variable interest rates, the interest rates will be benchmarked to ARGFL-PLR
- iii. The ARGFL-PLR is an benchmark interest rate approved by the Asset Liability Committee (ALCO) of the Company, from time to time. The ARGFL-PLR will be reviewed periodically by the ALCO. The estimation and the methodology for calculating the ARGFL-PLR may be changed at any time with the approval of the ALCO.
- iv. The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.

- v. At present Rate of Interest to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

**Construction Finance:**

Particulars	Interest Rate
Construction finance loan	<b>15% to 21%</b>

**SME Loans:**

Lending Assets / Sector	Range of Interest
Secured Loans (SME)	11.50% to 16%
Personal Loan	16% to 18%
Gold Loan	13% to 24%

**LAS Loans:**

Lending Assets / Sector	Range of Interest
Loan against securities	10% to 18%

**Inter Corporate Deposit :**

Lending Assets / Sector	Range of Interest
Interest corporate Deposit	10% to 18%

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

- vi. Loan amount, Annualised 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.
- vii. 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.
- viii. 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.
- ix. 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.
- x. Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.

- xi. 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.
- xii. 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.
- xiii. 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.
- xiv. 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.

The rate of interest is subject to change as the situation warrants due to market compulsions and change in regulatory norms and is subject to the discretion of the management on a case to case basis.

**Annexure :-**

**Interest Rate Model**

**Construction Finance:**

<b>Particulars</b>	<b>Interest Rate</b>
Construction finance loan	<b>15<sup>0</sup>% to 21<sup>0</sup>%</b>

**SME Loans:**

<b>Lending Assets / Sector</b>	<b>Range of Interest</b>
Secured Loans (SME)	11.50% to 16%
Personal Loan	16% to 18%
Gold Loan	13% to 24%

**LAS Loans:**

<b>Lending Assets / Sector</b>	<b>Range of Interest</b>
Loan against securities	10% to 18%

**Inter Corporate Deposit:**

<b>Lending Assets / Sector</b>	<b>Range of Interest</b>
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