INDEL MONEY LIMITED

INTEREST RATE POLICY

I) INTRODUCTION:

Indel Money Limited lends money to its customers through fixed/floating interest rate loans. Indel Money being a diversified NBFC lends money through various products to cater the needs of different category of customers. Few broad categories of customer segments are as follows.

- Gold Loan
- MSME Business Loans
- Loan Against Property
- Small Traders Loans
- Consumer durable loan
- Personal Loans

The Company has been following certain procedures and practices in the matter offixing interest rates on loans (assets) and NCDs/Subordinated Bonds (liabilities). Interest rates are not controlled by the Reserve Bank of India. However, RBI has vide circular DNBS. CC.PD. No .266/03.10.01/2011-12 dated 26 March 2012 (Guidelines on Fair Practices Code for NBFCs) directed NBFCs to have a documented Interest Rate Policy / Model approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs. The specificpoints referred to in the above referred RBI circular are,

i) Charging excessive interest rates by NBFCs.

ii) The need for adoption of an interest rate model along with approach forgradations of risk & rationale for charging differential rates.

iii) Disclosure of rates of interest rates, changes thereof and publicity thereto.

iv) Adoption of annualized rates of interest while dealing with customers.

II) OBJECTIVES

The main objectives of the interest rate policy are to:

i) 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,

ii) Develop and adopt a suitable model for calculation of a reference rate,

iii) Enable fixation of interest rates which are reasonable: both actual and perceived.

iv) Ensure that computation of interest is accurate, fair and transparent in line withregulatory expectations and market practices.

v) Charge differential rates of interest linked to the risk factors as applicable.

vi) Facilitate transition to income recognition norms that may be stipulated by RBI infuture and adoption of best practices.

III) DETAILS OF POLICY

A) Methodology for calculation of interest on loan accounts

The main spirit underlying the methodology is to project a transparent and fair approach to the customers and also be in readiness to adopt the practices now invogue amongst commercial banks keeping in view the peculiarities of the gold loan business.

i) <u>On the daily balances</u>

Interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate. Thus, if the annualized rate of interest applicable is R% the interest amount for each day would be;

$$\frac{\text{R X Amount outstanding}}{36500}$$

ii) <u>Minimum period for which interest chargeable:</u>

The minimum period for which interest is payable by the borrower shall not exceed 1day only. Interest payable / receivable shall be calculated on the actual daily outstanding balance.

iii) <u>Basis - number of days per year:</u>

Interest shall be calculated based on 365 days a year. Dates of disbursementand closure of account shall both be included for computation of interest.

iv) <u>Compounding:</u>

Compounding of interest wherever applicable, as provided in the loanscheme, shall not usually be at a frequency of more than 1 month / 30 days in a year. However, in future, we shall consider quarterly or half yearly compounding if schemes permit.

v) Fixed rate Floating rate

Presently, all loans shall be granted at fixed rate only. In future, provision for floating rate shall also be considered.

B) Annualised rate of interest

i) Interest rate quoted shall be on annualized basis only in all documents, internal instructions/ communications and publicity materials (pamphlets, brochures, hoardings, etc)

ii) Where the rates are mentioned in non-annualized form (e.g. in product promotion) the annualized rate shall also be mentioned along with so as to comply with regulatory requirements and Fair Practices Code,

C) Risk Based Gradation of Interest Rates

(i) For Gold Loans

- 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 higherinterest rate as compared with a lower LTV loan.

- The LTV linkage with interest rate shall be at the time of sanction of loan andcannot be changed subsequently due to movements in the overall collateral coverage arising from market movements in gold prices,

- 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 reviewedand appropriately modified to meet with the overall objectives of floating such schemes.

(ii) For other loans

- The Interest rate applicable to each loan account will be assessed based on multiple parameters like tenure, borrower profile, borrowers' repayment capacity based on the cash flows, loan to value of the asset financed, type of collateral security provided by the borrower and past repayment track record of the borrower, external credit rating, etc.

- 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 anyor combination of a few or all factors listed above.

- 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. The interest rate quoted shall be on an annualized basis only in all the documents, internal instructions / communications and publicity materials. Where the interest rates are mentioned in non-annualized for promotional purpose, the annualized rate shall also be mentioned along with so as to comply with regulatory requirements and Fair Practice Code.

- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

- Apart from normal interest, the company may levy additional /penal charge for any delay or default in making payments of the dues.

- The company also offers variable and equated monthly/weekly/daily installments schemes.

- The other charges such as processing fees, additional interest charged on delayed payments etc. are mentioned in the Schedule which is part of the Loan Agreement. Any revision in these charges would be with prospective effect.

- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our offices and branches. Prior to entering into an agreement with our customers, we provide them with our statement of charges and interest and address their queries and questions on the same, to their satisfaction. Our loan officers ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in our products.

- Claims for refund or waiver of charges/ penal charge / 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.

- Keeping in view of the regulatory expectations from NBFCs and also the Fair Practice Code, the maximum interest rate chargeable shall be fixed at 40% p.a (excluding compounding effect) or base rate + 1400 basis points, whichever is higher.

- Service tax wherever applicable shall be charged and the same shall not be counted for the purpose of above ceiling.

D) 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 fixedat 40 % pa across all states / regions excluding compounding effect where applicable under any schemes. The minimum interest rate fixed as per the current scenario is 5% pa.

ii) The above-mentioned ceiling shall be reviewed periodically 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.

E) Penal Charges on overdue loans

When the loan remains outstanding beyond the 'normal' tenure(Between 3 Months and 1 year) without FULL servicing of interest due penal charges may be charged at a rate not exceeding 5% pa (i.e. at the contracted rate plus 500 basis points) on the principle amount due and payable. Penal charges provisions shall be calculated and will apply only after the expiry of the 'normal' tenure. Penal charges may be waived, in full or inpart, in deserving cases by CEO.

F) Rebate on interest

Schemes offering rebate on the interest rate may also be considered on the ground that customers who regularly service interest payable on loans deserve to be incentivized. The extent of rebate may vary from scheme to scheme but may not exceed 6% pa (600 basis points on the contracted rate). Rebate may be considered at the time of full settlement in cases where interest payable has been serviced by the due dates without any default on alloccasions. However, a grace period of 3 calendar days may also be considered and built into the loan scheme.

G) 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,

H) Structured Products

Products offered and featured thereof shall be straight forward, transparent and simple to understand so as to comply with the letter and spirit of RBI guidelines. Structured products, when introduced, should comply with the basic features of the Interest Rate policy features of such products, especially the differential features, should be clearly explained to and understood by the prospective borrower before sanction as a matter of fair practice. Operational personnel should be well equipped in this regard.

I) Base Rate and Net Interest Margin

I. ln order to arrive at a proper basis for arriving at the cost of borrowings / funds / resources a suitably calculated 'base rate' shall be developed keeping in the weighted average cost of borrowings, interest paid on liability products (NCDs / Subordinated Bonds) and return on equity capital. Return on equity capital shall be taken at 12 %, Interest rate on loans shall be based on the 'base rate' so that scope for interest rate mismatches is minimized,

II. The base rate shall be calculated periodically and approved by the ALCO (para-J below).

III. The NIM (Net Interest Margin) shall be calculated over the 'base rate' so calculated to arrive at the lending rate.

IV. The NIM shall be capped at 8% (800 basis points) over the 'base rate'.

V. Lending at or below the 'base rate' shall be done only for short- t e r m promotion of business either for a specific loan scheme or specific branch(es) or for lending to poor downtrodden sections.

VI. Lending at or below the 'base rate' shall not exceed 10% of the total loan portfolio.

VII. Lending below the ['base rate' plus operational expenses] shall not exceed 15% of the total loan portfolio.

J) Asset Liability Management Committee (ALCO)

The ALCO shall hold meetings at calendar quarterly intervals or more frequently when required. Review of interest rates shall be periodically takenup by the ALCO within the overall stipulations of the Interest Rate Policy approved by the Board of Directors.

K) Other Charges Recovery of Out-of-Pocket Expenses

i) The Company may also levy other charges such as loan processing fees, insurance (of gold ornaments), processing charges for delivery of gold against lost pawn ticket, safe custody charges (due to failure to take delivery of gold ornaments immediately after closure of account), statement of account etc. In addition, the Company shall be entitled to recover costs incurred in connection with postage, legal costs etc. The above charges shall be pegged at reasonable levels and in the spirit of Fair Practice.

ii) Guidance rates are as under:

Description of the charges	Extent of charges	Comments
Loan processing , Appraisal charges, Insurance etc.	Will be capped at 1% of the loan amount. A reasonable minimum and maximum in absolute terms may be prescribed.	Segments borrows (i.e. small borrowers), Special schemes may be exempted from such charges.
Safe custody charges – when borrower does not immediately take delivery of the pledged gold ornaments	Between 0.10% to 0.25% per month subject a reasonable minimum and maximum in absolute terms	
Statement of account	Free of cost if demanded within 30 days of closure of account. In other cases a minimum of Rs. 25 and maximum of Rs.	

	100 per statement	
Postage, Courier charges	As per Existing circular	

iii) The actual rates from time to time shall be fixed by the ALCO within the band /limits mentioned under each head and reviewed at least half yearly intervals.

iv) ALCO shall have the authority to implement any other reasonable / justifiablecharge from time to time.

v) Taxation regulations as applicable shall be complied with.

vi) Discretion to waive / reduce the charges shall be vested with CEO.