



INTEREST RATE POLICY





Interest Rate Policy

1. Introduction

This interest rate policy provides the guidelines regarding the pricing for loans given by Dar Credit & Capital Limited (DCCL) as well as our communication policies with borrowers through the application form, sanction letter and our loan agreements and security documents.

This Interest Rate Policy is in compliance with the requirement of RBI to have a documented policy for interest rates being charged on loans disbursed by the company, and ensures coverage under the Fair Practices Code circular issued by RBI.

2. Objective of Policy

This policy lays down the guidelines to the operational personnel and other decision makers (including the credit committee) of Dar Credit & Capital Limited (DCCL) while determining the rate of interest and other fees to be charged from a customer seeking to avail loan.

This document is intended to present the policy of the company for dealing with customers (borrowers), in respect of determining the pricing for loans given by the company, in a transparent and open manner. The approach is to evolve a standard for pricing of loans with a view to ensuring that pricing is fair and transparent.

Though interest rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to usual financial practice. This Interest Rate Policy is in compliance with the requirement of credit policy to have a documented policy for interest rates being charged on loans disbursed by the company and ensures coverage under the Fair Practices Code.

Given that the business model of the company focuses on providing credit only to customers meeting the credit standards of the company for varying tenors, the interest rate applicable to each loan account, is assessed on a case to case basis, based on the evaluation of various factors, as detailed hereafter.



3. Interest Rate Considerations

DCCL has an established credit approval process as detailed in our Credit Policy. Interest rates are individually considered on a case to case basis based upon our evaluation of various factors, including, but not limited to:

- **Risk profile of the borrower** : as determined by our credit assessment, specifically the borrower's ability to generate project cash flow, the availability of collateral, the use of proceeds, the type of loan, previous track record, and other factors which may be borrower specific. These factors will result in a credit premium.
- **Cost of funds:** The interest rate to any borrower also includes DCCL's weighted average cost of funds which is in turn a function of the Company shareholders' expected return on equity and the market rate of debt, if any.
- **Loan Tenor:** A borrower's interest rate will also depend on the term of the loan; loan structure, grace period, interest and principal amortization schedule, etc
- **Market conditions:** Other factors which might impact the interest rate are existing and anticipated changes in capital requirements and other regulatory changes, the existence of a secondary market and general market liquidity, the change in market interest rates, the credit markets and trends with respect to credit and cyclical conditions, etc.
- **Internal cost factors:** The interest rate charged will also take into account DCCL's costs of doing business including the amount of time required to analyze and complete the transaction, its complexity, size and the overall exposure of the DCCL to the borrower, etc.

4. Rate of Interest

- Interest rates offered by DCCL could be on fixed rate basis or floating rate basis.
- 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. The interest structuring for each loan will vary.
- Penal charges if any may be separately charged on case specific basis.



- There can be additional basis of returns on case to case basis.
- Annualized Interest rates can be split into differential yield during the tenure of loan (e.g. step up/ step downs) or linked to performance milestones.

5. Disclosures & Procedural Aspects

Each loan transaction is a negotiated deal supported by customary loan and security documentation. The rate of interest and total liability is disclosed and communicated explicitly to the borrower and documented to allow the borrower to make an informed decision.

DCCL's loan documentation details:

- The amount of the loan along with the terms and conditions including annualized rate of interest.
- Details of the default interest / penalty interest rates and other fees and charges payable by the borrower.
- Terms and conditions governing the loan are conveyed to the customer in writing and changes to the loan are document either by amendment to the documentation or as an addendum. All documented changes are accompanied by a communication to the borrower with a request to confirm acknowledgement of receipt. DCCL also utilizes electronic media to accelerate the timeframe to advice clients of material changes to the loan followed by a mailed document. All communication with and received from the borrower is maintained in credit files at DCCL's offices.
- This Interest Rate Policy or its applicable standards shall be displayed on the Company's website in compliance with the directions of the RBI.

6. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- a. Profile and market reputation of the borrower,
- b. Inherent nature of the product, type/ nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed,
- c. Tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients,



- d. Group strengths, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower,
- e. Nature and value of primary and secondary collateral/ security,
- f. Type of asset being financed, end use of the loan represented by the underlying asset,
- g. Interest, default risk in related business segment,
- h. Regulatory stipulations, if applicable,
- i. And any other factors that may be relevant in a particular case.

7. Review of policy

The policy shall be reviewed once in a year or in between if required due to changes required in the model, for example any addition/ deletion of a particular component forming part of benchmark calculation.

8. Amendments to the Interest Rate Policy

The Board hereby authorizes the Chairman to review and make appropriate changes to the Interest Rate Policy from time to time basis the money market scenario in the country which included the upward/ downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products.