

Interest Rates & Gradation of Risk

Preamble:

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012 have directed all NBFCs to

- Communicate the annualised rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Make available the rates of interest and the approach for gradation of risks on the web-site of the companies.

Rate of interest:

The Company has laid out appropriate internal principles and procedures in determining interest rates and processing and other charges. The Company intimates the borrower, the loan amount and rate of interest, other fees and charges etc. at the time of sanction of the loan along with the tenure and amount of the monthly instalment.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

Approach for gradation of risk:

General

The rate of interest is arrived at based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

The decision to give a loan and the interest rate applicable to each loan account is assessed on a case to case basis, based on multiple parameters such as the type of asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc. Such information is collated based on borrower inputs and field inspection by the company officials.