



# RAR FINCARE LIMITED

Interest Rate & Gradation of Risk Policy

## Introduction

Reserve Bank of India vide its notification No DNBS. 204/CGM (ASR) – 2009 dated January 2nd, 2009, and vide its guidelines on FPC for NBFCs DNBS. CC.PD. No 266/03.10.01/2011-12 dated 26th March 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.

## General

### Fixed vs. Floating Interest Rate

- All loans shall be granted at fixed rate on reduced balance only

### Annualized Rates

The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account. Interest rate shall be calculated based on 360 days in a year.

### No Grace Period

Interest will be payable by the customer / borrower on or before the due date stipulated therefor in the loan agreement entered by the customer / borrower with the Company. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same or the CEO agrees to provide such grace period to the customer / borrower, in writing.

### Pre-Payment

Pre-payment options available to the customer and the penalty payable for exercise of such option shall be mutually agreed to on a case-to-case basis and communicated to the customer.

## Interest Rate Model

Interest rates are decided based on the COF (cost of fund), Operational expenditure, Business related risks, desired ROE/ROA etc.

The final rate of interest for loans for various products is arrived after adjusting for spread by the Company. Factors taken into account by the company for calculating spreads are as follows:

- Profile of Customers
- Tenure and ticker size of the Loan
- Geography of residence
- Nature of Collateral (If provided)
- Prior / existing relationship with RAR Fincare Limited
- Interest rate risk
- Historical performance of similar homogeneous clients

- Industry segment of the borrower
- Repayment track record of the borrower
- Customer indebtedness (other existing loans)
- Bureau score

Based on above mentioned factors, RAR Fincare may charge discrete interest rate for different customers.