



RAR FINCARE LIMITED

Interest Rate & Gradation of Risk Policy

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Introduction

As per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time all NBFCs shall 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 activities.

General

Interest Estimation

Interest to be calculated on the daily outstanding amount i.e interest for each day is estimated as: -

$$\text{Interest} = \frac{(\text{Annual Interest Rate (\%)} * \text{Principal Outstanding})}{(365 * 100)}$$

Minimum period for which interest is payable by the borrower is 1 day only. Interest shall be calculated by assuming 365 days in a year. Both date of disbursement and closure of account are included in estimating interest.

Fixed vs. Floating Interest Rate

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

Compounding

Compounding rate of interest shall be applicable as per the terms in loan agreement. The maximum frequency at which compounding can be done is 1 month in a year.

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.

Maximum Interest Rate Applicable to Loans

The maximum interest rate that can be charged to borrowers is fixed at 28% per annum. This maximum rate shall be reviewed periodically and/or as and when required, by the Board of Directors keeping in view regulatory guidelines as amended from time to time, market competition, target NIM etc.

Additional & Other Charges

- Besides the normal interest, the Company may levy additional charges in the form of penal charges for any delay or default in payment of dues by the customer / borrower or , for non-compliance of material terms and conditions of loan contract by the borrower. etc.

- The Company may also levy other financial charges including processing fees, cheque bouncing charges, pre-payment / foreclosure charges, RTGS or such other remittance charges, commitment fees, charges for services like issuance of “no due certificate”, security swap charges etc.

The quantum of these additional charges will be determined by the CEO of the Company and communicated to the customer in writing. While determining the quantum of these additional rates of interest / financial charges, market practices will be taken into consideration.

Requests by the customer for waiver of additional interest / financial charges would normally not be entertained by the Company and such waiver will be at sole and absolute discretion of the CEO of the company.

Further, there shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

Change in Terms

Interest rates would be intimated to the customer at the time of sanction / availing of the loan and the periodic instalments towards interest and principal dues would be made available to the customer.

The Company shall give notice to the borrower in English language with an option to choose a vernacular language as understood by the borrower of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. Further, any changes in the rate of interest shall be affected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Company.

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. 3 days of grace period will be allowed to the customer / borrower for payment of interest. Further grace period could be provided if the loan agreement expressly provides the same or a moratorium is provided as per regulatory norms or the CEO agrees to provide such grace period to the customer / borrower, under exceptional basis in writing.

Pre-Payment

Pre-payment options available to the customer and the foreclosure charges or any other penal charges 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), Margin, Operational expenditure, Business related risks, desired ROE/ROA, other risk premium, 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 Customer i.e. historical performance on repayment track record
- Tenure and ticket size of the Loan
- Geography of residence
- Nature of Collateral (If provided)
- Prior / existing relationship with RAR Fincare Limited
- Interest rate risk
- KYC/AML Compliance status of the borrower
- Historical performance of similar homogeneous sector of the economy as a whole
- Industry segment of the borrower
- Customer indebtedness (other existing loans)
- Credit Bureau score
- Political Exposure, litigation related status and Compliance to all the statutory laws of the Land of the Borrower or any person/entity related to the borrower

The interest rates for our loan products are given below

MSME Loan - Secured

12% - 28% per annum

MSME Loan - Unsecured

13% - 28% per annum

Business Loan - Secured

12% - 28% per annum

Business Loan - Unsecured

13% - 28% per annum

Onward Lending - Secured

12% - 28% per annum

Onward Lending - Unsecured

13% - 28% per annum

APPROACH FOR GRADATION

Risk Level	Risk Grade	Grading Mechanism
CR0-CR1	Low	Borrowers and related parties with following: <ul style="list-style-type: none"> - Good historical performance on repayment track record - Geography of residence (Resident of countries which are not black listed) - Nature of Collateral (If provided) - Prior / existing relationship with RAR Fincare Limited - Interest rate risk is low - KYC/AML Compliance status of the borrower is complied - Satisfactory historical performance of similar homogeneous sector of the economy as a whole - Good performance of the Industry segment of the borrower - Low Indebtedness (other existing loans) - Credit Bureau score (Above 700) - No Political Exposure, - No litigation pending or has been convicted ever - Compliance to all the statutory laws of the Land - Holder of LEI Code (In case of corporate borrower)
CR2-CR4	Medium	Borrowers and related parties with following: <ul style="list-style-type: none"> - Good historical performance on repayment track record - Geography of residence (Resident of countries which are not black listed) - Nature of Collateral (If provided) - Prior / existing / No existing relationship with RAR Fincare Limited - Interest rate risk is low - KYC/AML Compliance status of the borrower is complied - Satisfactory Historical performance of similar homogeneous sector of the economy as a whole - Good performance of the Industry segment of the borrower - Low Indebtedness (other existing loans) - Credit Bureau score (600 - 700) - No Political Exposure, - No litigation pending or has been convicted ever - Compliance to all the statutory laws of the Land - Holder of LEI Code (In case of corporate borrower)
CR5-CR6	High	Borrowers and related parties with following: <ul style="list-style-type: none"> - Good historical performance on repayment track record - Geography of residence (Resident of countries which are not black listed) - Nature of Collateral (If provided)

		<ul style="list-style-type: none"> - No Prior / existing relationship with RAR Fincare Limited - Interest rate risk is low - KYC/AML Compliance status of the borrower is complied - Satisfactory Historical performance of similar homogeneous sector of the economy as a whole - Good performance of the Industry segment of the borrower - Low Indebtedness (other existing loans) - Credit Bureau score (500 - 600) - Political Exposure - No litigation pending or has been convicted ever - Compliance to all the statutory laws of the Land - Holder of LEI Code (In case of corporate borrower)
CR7-CR8	Very High Risk	<p>Borrowers and related parties with following:</p> <ul style="list-style-type: none"> - Moderate historical performance on repayment track record - Geography of residence (Resident of countries which are not black listed) - Nature of Collateral (If provided) - No Prior / existing relationship with RAR Fincare Limited - Interest rate risk is low - KYC/AML Compliance status of the borrower - Moderate historical performance of similar homogeneous sector of the economy as a whole - Moderate performance of the Industry segment of the borrower - High Indebtedness (other existing loans) - Credit Bureau score (Below 500) - Political Exposure, - No litigation pending or has been convicted ever - Compliance to all the statutory laws of the Land

REVIEW

The Policy shall be reviewed by the Board as per business and regulatory requirements.

The Policy has been reviewed and updated by the Board in its meeting held on June 26, 2024