



# RAR FINCARE LIMITED

Interest Rate & Gradation of Risk Policy (Version 1)

Contents

Introduction..... 2

General..... 2

    Interest Estimation ..... 2

    Fixed vs. Floating Interest Rate ..... 2

    Compounding..... **Error! Bookmark not defined.**

    Annualized Rates ..... 2

    Maximum Interest Rate Applicable to Loans ..... 2

    Additional Interest & Other Charges ..... 2

    Change in Terms ..... 3

    No Grace Period..... 3

    Pre-Payment..... **Error! Bookmark not defined.**

Interest Rate Model..... 3

    MSME Loan - Secured ..... 4

    MSME Loan - Unsecured ..... **Error! Bookmark not defined.**

    Business Loan - Secured..... **Error! Bookmark not defined.**

    Business Loan - Unsecured..... **Error! Bookmark not defined.**

    Onward Lending - Secured ..... **Error! Bookmark not defined.**

    Onward Lending - Unsecured..... **Error! Bookmark not defined.**

## 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.

### Fixed vs. Floating Interest Rate

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

### 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 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.

#### 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.

#### Foreclosure / Part Payment

Foreclosure / Part Payment options shall be 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.

However, Advance payment of EMI, unless specifically communicated in writing, shall not be treated as part payment or foreclosure of the loans irrespective of the loan variant availed or the amount paid by the customer and hence no interest shall be payable by the Company on the advance EMI received or no interest benefit shall be passed on to the customer by treating advance EMI amount as part payment of loan.

#### 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 Customers 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**

<b>Products</b>	<b>Interest Rate (% PA) on secured products</b>	<b>Interest Rate (% PA) on unsecured products</b>
Business Loan (Including MSME)	12 - 28	13 - 28
Onward lending	12 - 28	13 - 28
Retail loans	12 - 28	13 - 28
Revolving short term loans/Bill discounting (Tenor based)	12 - 28	13 - 28

<b>Approach for Gradation of Risk Profile of Customers</b>					
SN	Grading Parameters	Risk Grade & Level			
		Low	Medium	High	Very High Risk
		CR0-CR1	CR2-CR4	CR5-CR6	CR7-CR8
	<b><u>Borrowers and Related Parties with following:</u></b>				
1	Geography of residence (Resident of countries which are not black listed)	✓	✓	✓	✓
2	Nature of Collateral (If provided)	✓	✓	✓	✓
3	Interest rate risk is low	✓	✓	✓	✓
4	KYC/AML Compliance status of the borrower is complied	✓	✓	✓	✓
5	Low Indebtedness (other existing loans)	✓	✓	✓	✓
6	No litigation pending or has been convicted ever	✓	✓	✓	✓
7	Compliance to all the statutory laws of the Land	✓	✓	✓	✓
8	Holder of LEI Code (In case of corporate borrower)	✓	✓	✓	✓
9	Historical Performance on Repayment Track Record	Good	Good	Good	Moderate
10	Historical Performance of Similar Homogeneous Sector of the economy as a whole	Satisfactory	Satisfactory	Satisfactory	Moderate
11	Good performance of the Industry segment of the borrower	Good	Good	Good	Moderate
12	Indebtedness (other existing loans)	Low	Low	Low	High
13	Prior / Existing Relationship with RAR Fincare Limited	Yes	Yes	No	No
14	Credit Bureau Score	> 700	600 - 700	500 - 600	< 500
15	Political Exposure	No	Yes / No	Yes	Yes

## REVIEW

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

*Reviewed by the Board of Directors in its meeting held on October 23, 2024*

<b>Senior Management Reviewer</b>  SD/-  <b>Chief Financial Officer</b>   SD/-  <b>Chief Risk Officer</b>	– <b>Senior Management Approver</b>  SD/-  <b>Chief Operations Officer</b>   SD/-  <b>Chief Executive Officer</b>	<b>Custodian</b>    SD/-  <b>Company Secretary</b>
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