

# Interest Rate Policy

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#### Document Distribution List

Sl. No	Designation
1	All employees of Unimoni Financial Services Ltd and its Associates/Affiliates and Subsidiaries.
2	All the shareholders of Unimoni Financial Services Ltd and its Associates/Affiliates and Subsidiaries.
3	All members of the Board of Directors and other members forming part of the Management of Unimoni Financial Services Ltd.

## Preface

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 and other subsequent communications advised the Boards of Non- Banking Finance Companies (NBFC's) to lay out appropriate internal principles and procedures on determining interest rates, processing and other charges.

Keeping in view the RBI's guidelines as cited above, other applicable guidelines as amended from time to time, and the good governance practices, the Board of Directors approved to adopt the following internal guidelines, policies, procedures and interest rate model for Company's lending business, in their meeting held on .....

The Board of Directors of the Company or a Committee drawing power from the Board, while fixing interest rates on Company's Loan Schemes shall be guided by this policy. These need to be taken cognizance of while determining interest rates and other charges, and any subsequent changes thereto.

## Objectives

The Objectives of Company's interest rate policy are to;

- To adopt and follow a standard model for interest rate calculation, in a manner as to ensure long term sustainability of business
- To ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and industry practices.
- To ensure that, fair return on capital is calculated as per industry standards, taking in to consideration of the investors and other stakeholders.
- To ensure that the differential rate of interest is linked to the risk factors applicable in the loan business

## Methodology

The average yields and the rate of interest under each scheme is decided from time to time, giving due consideration to the following factors.

### Basic Interest Rate

Basic Interest shall be arrived at after considering the following aspects:

- **The cost of funds** on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc.

- **Operating cost of the business** such as employee cost, establishment costs such as charges for rent, electricity, water etc., security charges such as engagement of security guards, setting up of burglar alarms and CCTV cameras, insurance premium for insuring the gold held in the custody of the Company etc., marketing expenses etc.
- **The stakeholder's expectations** for a reasonable, market-competitive rate of return, by strictly following the RBI guidelines.

### **Risk Interest Rate**

Risk Interest Rate shall be determined by taking into account the degree of risk involved in loans under each loan scheme such as;

- The percentage of LTV (Loan to Value) of the advance, tenure of loan, possibility of fall in value of the security, Misrepresentation of the value of security, disputes and legal issues on ownership of security etc.
- Inherent credit and default risk in the business, particularly trends with sub-groups / customer segments of the loan portfolio.
- Nature of lending, for example unsecured/secured, and the associated tenure.
- Nature and value of securities and collateral offered by customers.
- Subventions and subsidies available if any
- Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- Industry trends - offerings by competition

### **Penal Charges:**

The non-repayment of loan dues within the contracted period can be penalized with a fair rate decided time to time. It is also to compensate the loss of account of liability exceeding the realizable value of security.

### **Interest Calculation Practices**

- Daily balancing of loans - Interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate.
- Minimum period for which interest is applicable – 1 day interest can be calculated for each day.
- Month & Year – 30 days from loan sanction date will be considered as a month, and accordingly, 365 days consists of a year, which will be applicable to calculate the annualized interest rate.
- Compounding frequency – Charges shall be Penal charges compounded on a frequency not less than 1 month (30 days)

- Quoting of annualised rate – Interest rates shall be quoted annualised basis in loan documents, internal communications, and publicity materials. Where the rates are mentioned in non-annualised basis (for product promotion etc), the annualised rate also shall be quoted.
- Fixed / Floating rate – All loans shall be granted at fixed rate.
- Maximum Interest rate – Maximum interest rate chargeable on an account shall be 30% during the contract period.
- Maximum penal charge rate which is applicable for the default period is as per the slab.

FROM AMOUNT	TILL AMOUNT	MAX PENAL CHARGE	INTERVAL DAYS
0	20000	75	30
20001	50000	100	30
50001	100000	150	30
100001	150000	200	30
150001	200000	250	30
200001	250000	300	30
250001	300000	400	30
300001	2500000	500	30

- Benchmark Lending Rate – The BLR rate for company shall be 12% p.a
- Inclusion / exclusion of opening date and closing date for interest calculation – Interest shall be calculated from the loan sanction date till the closing date.

#### **Other Charges & out of pocket expenses**

The company may levy other charges such as processing fee, appraisal charges, safe custody charges etc, and shall be entitled to recover the costs in connection with postage, legal charges, auction related expenses etc.

Description	Range of charges
Loan processing, Appraisal charges, Insurance, Credit checking etc.	Minimum Rs.100/- and will be capped at 1% of the loan amount. A reasonable minimum and maximum in absolute terms may be Prescribed in the scheme documents
Credit Checking Charges.	Maximum Rs: 50/- will be applicable for loans above 50k or cumulative amount 2L.
Postage, Courier charges	Maximum Rs.50/- per notice. Can be revised actual postage increase above Rs.50/-
Penal Charges	On non-repayment dues within the loan period can be penalized with a fair rate decided time to time. Can compensate the loss of account of liability exceeding the realizable value of security.
Auction Initiation Charges	Maximum of Rs: 1180/- will be applicable for the loans which classified as Auction Account.
Auction Charges	Maximum of Rs: 5000/- will be applicable for the loans settled in public auction.

## **General Policies & Practices for Lending business**

- The company shall form an advisory committee to review and to suggest changes in the “Interest Rate Policy” from time to time. The Members of the committee shall be Executive Vice Chairman, Chief Financial Officer, Heads of Loan products, Head – Internal Audit.
- The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.
- The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company or published in the relevant newspapers. The information published in the website or otherwise published would be updated whenever there is a change in the rates of interest.
- The interest rates offered could be on fixed basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- Annualized rate of interest would be intimated to the customer
- Besides normal interest, the Company may levy additional interest for adhoc facilities, penal charges for any delay or default in making payments of any dues. The levy or waiver of these additional or penal charges for different products or facilities would be decided within the limits prescribed under the policy.
- The Company shall mention the penal charge in bold in the loan agreement.
- The interest re-set period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates
- Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.
- Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.
- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. Besides the base charges, the Goods and Service Tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.
- The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.
- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our offices and branches. Prior to entering into an agreement with our customers, we provide them with our statement of charges and interest and address their queries and questions on the same, to their satisfaction. Our loan officers ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in our products.
- In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the company.
- Claims for refund or waiver of such charges/ additional interest would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests

All other regulatory changes in this regard will stand updated in the policy from time to time