

**Summary of Policy**

<b><u>Policy Name</u></b>	<b><u>Interest Rate Policy</u></b>
Issue and Effective date	April 1, 2019
Date of Current Review	8 <sup>th</sup> July 2022
Date of next review	On or before 7 <sup>th</sup> July 2023
Periodicity of review	Annual
Owner / Contact	Compliance Officer
Approver	Board of Directors

**Interest Rate Policy**

**Policy on Interest Rate Model and Policies & Procedures on Determining Interest Rates**

**1. Preamble**

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.

Further, vide circular DNBS (PD)C.C. No. 133 /03.10.001/ 2008-09 January 2, 2009, RBI advised the NBFCs to adopt appropriate interest rate models taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers.

Keeping view of the RBI Guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out by the board of Thar Commercial Finance Private Limited (the "Company"). This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The Company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

**2. Objective of the Policy**

This document aims to establish a framework for determining interest rates, processing charges and other charges. (All charges and rates mentioned herein are exclusive of Goods and Service Tax (GST) or any other applicable tax and the company shall charge and collect such taxes wherever applicable over and above mentioned charges and rates)

**3. Methodology for determining an Interest Rate**

- a) The interest rate and yield for each of the loan product would be decided by the Investment Committee / Credit Committee (Empowered Committee) from time to time.
- b) The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements( Cost of Fund).
- c) In addition to the cost of fund, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers , industry trends, etc.
- d) The company may adopt an interest rate model whereby the rate of interest for same product and tenor availed during same period by customers would be different from customer to customer depending upon consideration of any or combination of a few or all factors listed out in point above. Hence, the interest rate applied would be different from customer to customer and his/ her loans.
- e) The rate of interest to be charged for loans and advances will be in the range of 9% to 36% p.a.
- f) The rate of interest shall be arrived at after taking into account relevant factors, such as cost of funds, margin and risk premium, including the following.

**Tenor of the Loan** - The rate of interest charged will depend on the term of the loan;

**Internal and External Costs of Funds** - The rate of interest charged will also be determined depending on the rate at which funds necessary to provide loan facilities to customers are sourced by the Company, normally referred to as internal cost of funds. From an external cost of funds perspective, the benchmark interest rate that may be used by the Company could be the 10 year Government of India bond rate or any other generally acceptable benchmark rate as adjusted for the rating spreads available in the markets.

**Internal Cost Loading** - The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a particular transaction will also be taken into account before arriving at the final rate of interest quoted to a customer.

**Credit Risk** - As a matter of prudence, bad debt provision cost should also be factored into all transactions. This cost is then reflected in the final rate of interest quoted to a customer. The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer.

**Fixed rate versus Floating rate** - The applicable rate of interest shall also be commensurate from the perspective of the fixed versus floating interest rate requirements of the customers. The prime lending rate for the floating rates would be reviewed on quarterly intervals. In case of floating rate of interest, the interest rate would be reviewed and reset on quarterly basis.

**Periodicity of Interest** - Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications thereto as may be agreed by and between the Company and the customer. The interest rate would be computed on daily balances basis and charged on monthly rest or such other rest as stipulated in the loan agreement entered into by the customer / borrower with the Company.

g) The annualized rate of interest would be intimated to the customer so that the borrower is aware of the exact rates that would be charged to the account.

#### 4. General Provisions

- **Changes in Terms** - 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 effected only prospectively and the loan agreement shall contain the necessary provisions in this regard.

- **Grace Period** - Interest will be payable by the customer / borrower on or before the due date stipulated there for in the loan agreement entered into by the customer / borrower with the Company. However, the Credit Head on request of borrower shall have discretionary power to grant a considered grace period to any customer / borrower.
- **Moratorium** - The Company may consider necessary moratorium for payment of interest and repayment of principal amount with proper built in pricing, on a case to case basis.
- **Additional Interest and other Charges** - Besides the normal interest, the Company levies additional interest for delays in payment of dues by the customer / borrower or additional interest on other facilities etc (annualised interest on the outstanding balance). The Company may charge 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 along with relevant taxes.

THAR COMMERCIAL  
Finance Private Limited

- The Company shall not charge foreclosure charges / pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.
- **Communication of Interest Rate to the Customer** - The Company shall convey to the borrower in English language with an option to choose a vernacular language as understood by the borrower, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep an record of the acceptance of these terms and conditions by the borrower. **The loan agreement shall expressly stipulate the penal interest chargeable for late payment / repayment of dues by the borrower, in bold.** The apportionment of the equated monthly instalments (“EMI”) amount towards the principal and interest will also be communicated by the Company to the customer / borrower by way of the repayment schedule.
- **Waiver of Additional Interest / Financial Charges** - 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 Credit Head or a person of equivalent position, exercised on a case to case basis or any other person that the Board deems fit.
- **Annualised Rates** - The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.
- **Pre-Payment** - Pre-payment options available to the customer and the penalty payable (only in case of Fixed rate loan) for exercise of such option shall be mutually agreed to on a case to case basis and communicated to the customer.
- **Company Website:** The rates of interest and the approach for gradation of risks shall be made available on the web-site of the company and literature issued by it. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- **THE RATE OF INTEREST SET OUT, SHALL BE CALCULATED ON A REDUCING BASIS:**

## 5. Regulatory Reference

This policy is framed as per the following regulatory references and in accordance with leading industry practice:

**Master Direction - Non-Banking Financial Company - Non-Systemically Important Non - Deposit taking Company (Reserve Bank) Directions, 2016.**

**Interest rate and other charges framework:**

### **Mortgage Loans**

9% to 24% per annum floating / fixed rate of interest .Floating rate of interest is linked to the TCFPL retail prime lending rate which is currently at 18%

**Personal Loans / Unsecured Working Capital Facilities**

18% to 36% per annum

**Hypothecation**

18% to 24% per annum

**Consumer Durable Loan**

18% to 24% per annum

**School Fees Funding (Education Loan)**

Thar Commercial Finance Private Limited (TCFPL) offers zero cost loans to parents to pay their children's school fees. Students are offered zero cost loans at institutes that have partnered with TCFPL.

In such scenarios, institute bears the interest cost, as would have been borne by an individual parent in the absence of such partnership.

TCFPL may have a subvention arrangement with the Institution pursuant to which TCFPL shall be entitled to subvention benefits in the range of 15% to 24%.

In all other scenarios normal interest rates are charged from the students/customer. The effective rate of Interest may vary within the range of 15% to 24%, the details whereof shall be set out in the Repayment Schedule which are shared with the Borrower(s) in the 'Loan Agreement'.

<b>Cheque bounce, cheque swapping</b>	Up to a maximum of Rs. 500/- per instance.
<b>Mandate bounce</b>	Up to a maximum of Rs. 500/- per instance.
<b>Late Payment interest</b>	<b>Up to a maximum of 9% higher than the contracted rate for the period of delay.</b>
<b>Charges for Statement Of Account / Amortization Schedule</b>	Nil
<b>Prepayment Charges</b>	Nil
<b>Stamping charges</b>	Reimbursed on actual basis, subject to state laws.