

---

# **INTEREST RATE POLICY**

---

(HELPAGE FINLEASE LIMITED)

CIN: L51909DL1982PLC014434

## **1. Background**

As per Reserve Bank of India guidelines, Board of NBFC shall approve an interest rate model for the Company, taking in to account the relevant factors such as cost of funds, margin, risk premium etc. and determine the rate of interest to be charged for loans and advances. Further, the directive states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers/ customers in the sanction letter of them.

## **2. Objective of Policy**

The Objective of policy is to provide a framework, which will enable the Company to outline the guiding principle to arrive at the interest rate to be used for different type of Customer/ products /segments/Geographies and to decide on the principles and approach of charging spreads to arrive at final rates charged to customers.

With a view to institute fair and transparent dealings in the lending business, Helpage Finance Limited ('the Company') has adopted and put in place the Interest Rate Policy parallel to the company's Fair Practice Code, in accordance with the Master Directions, as amended and updated from time to time.

## **3. Key Comments and Declaration**

Interest charged by company from its customers shall inter-alia have the following components viz. Reference Rate, Risk Rate, Additional/Default Rate.

### **i. Reference Rate**

Reference rate shall represent the minimum rate chargeable for a specific product and specific customer segments, irrespective of the risk attached thereto. Reference rate shall be arrived at after considering following aspects.

#### **a) Cost of Funds**

This Component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company.

#### **b) Return on Capital Employed**

This Component represents fair return on capital employed which is to be generated by the Company for servicing the owner's Capital employed in the business. Thus, the Reference rate shall be determined by considering the Cost of funds, which is inclusive of the overhead/sourcing cost and fair return on Capital employed.

### **ii. Risk Rate**

Risk rate shall be determined by considering the degree of risk involved in loan considering various factors like general economic conditions, customer category, income of customers, loans taken/ loan obligation of customers, customer category servicing cost, mode of repayment, rating of customers, credit score of the customer, loan to value ratio, tenor of loan, location of customer, borrower's other financial commitments etc. The information shall be collated based on borrowers' inputs, Credit bureau and field inspection by the Company officials.

The rate shall be the lowest for the customers perceived as having lowest risk and vice-versa for the high-risk category. The risk premium further depends upon grading of the customers

and category or class of loans to be provided. The approach for gradation of risk is based on factors such as nature of loan, credit worthiness of the borrower, nature of security, type of assets being financed, borrower profile, re-payment capacity, borrower's financial commitments, past re-payments, tenure of loan, geography(location) of the borrower, end use of loan as represented as represented by the underlying assets etc.

**iii. Additional/Default Rate**

Loans remaining unpaid on due dates shall be charged penal interest at such rates as mentioned in bold in the respective customers agreement. Any service charges, prepayment charges as charged to the borrowers shall be disclosed appropriately to the borrower.

Further, all loans which are pre-paid shall bear pre-payment penalty at rates as mentioned in customers agreements. There shall be no foreclosure rate/ pre-payment penalty Charged on floating rate interest loans sanctioned to the individual borrowers as per master direction.

**iv. Other Factors to be considered**

The interest rate applicable to each loan account, within the applicable range shall also be assessed on a case specific basis, based on evaluation of various factors, such as:

- Structure of the deal
- Interest rate trend prevailing in the money market
- Long term prospects of business with the borrowers
- Loan specific cost
- Company's cost of Borrowings
- Customers negotiations/deviations
- Upfront Charges

The Company shall also take into consideration the margin cap while deciding the rate of interest on a product. No maximum cap has been prescribed by the RBI. The same shall be charged on the basis of capital charge and profit margin of the Company. The Company may charge higher rate of interest for loans considering the factors mentioned herein above.

**4. Other Charges**

Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheques swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing "No Due Certificates" NOC, letter ceding charges on assets/security, security swap & Exchange Charges etc. would be levied by the Company wherever consider necessary.

**5. Disclosures**

As per the extant regulation the following disclosures shall be made to the borrowers:

1. There shall be appropriate disclosure of 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 communication in the sanction letter.
2. The annualised rate of interest shall be disclosed to the client.
3. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.

## **6. Administration, Amendment and Review of the Policy**

The Board or the Committee shall be responsible for the administration, interpretation, application, and review of this Policy. The Board or the Committee shall also be empowered to bring about necessary changes to this Policy, if so, required at any stage at its own discretion or with the concurrence.