

**Dugar Finance & Investments  
Limited**

**INTEREST RATE POLICY**

**1. Background**

RBI vide Master Directions RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 under its Fair Practices Code advised NBFC to lay out appropriate principles and procedures so that usurious interest, including processing and other charges are not levied on loans and advances. The Master direction also prescribes fixing an appropriate ceiling on the interest & processing fees.

**2. Objective**

The main objective of this Policy is to arrive at the benchmark rates to be used for different categories of customer and to decide on the principles and approach of determining spreads to arrive at final rate of interest to be charged from customers. This is to ensure that interest rates are determined in a manner to ensure the long-term business sustainability after taking into account the interest of all stakeholders.

**3. Organization Structure**

**Board of Directors**

The Board of Directors shall have oversight for the interest rate Policy of BFL. In order to ensure effective implementation of the Interest Rate Policy, the Board may delegate the implementation of the Policy and its operational aspects to the Managing Director and/or ALCO as deemed fit.

**Asset Liability Committee**

ALCO shall be responsible for taking decision to change the benchmark rate. The ALCO meeting will be held on a monthly basis and any changes / status quo in the benchmark rate would be discussed and decided by the members of the ALCO and would be put up to the Board in subsequent meeting. Business can have their internal pricing policies under the overall framework of board approved interest rate policy for company in deciding the spreads to arrive at final rate. Changes to business level internal pricing policies, if any, would need to be approved jointly by any -two officers of the Company as per the matrix below:

Sr.No	Designation
1.	Managing Director
2.	Chief Financial officer

**4. Interest rate Model**

DFIL lends money through loan products to cater to the needs of different categories of customers. The broad categories of products offered by the Company are as follows:

- Vehicle Loans;
- MSME Loans;
- Solar Loans;

In all the above segments the Company follows fixed rate of interest throughout the tenure of the loan. This rate once fixed remains unchanged for the total tenure of the loan unless required and such changes will be subject to the management's perceived risk on a case to case basis. Fixed rate loans are not linked to benchmark but are decided based on the weighted average cost of funds (allocated through transfer pricing), operational expenditure, business related risks and desired profitability.

#### **5. Principles and procedures for charging spreads to calculate final rate**

The rate of interest for loans for various business segments and various schemes thereunder is arrived after adjusting for multiple factors including those mentioned below:

- Interest rate risk
  - Credit and default risk in the related business segment;
  - Historical performance of similar homogeneous borrowers;
  - Profile of the borrower;
  - Industry segment;
  - Repayment track record of the borrower;
  - Cost of collection and operation;
  - Nature and value of collateral security;
- Secured vs unsecured loan;
- Subvention available;
- Ticket size of loan;
- Loan to Value Ratio;
- Credit Bureau Score;
- Tenure of Loan;
- Location delinquency and collection performance; and
- Customer indebtedness (other existing loans).

The rate of interest for the same product and tenor availed during same period by different customers need not be the same. It could vary for different customers after consideration of all or combination of the above-mentioned factors.

#### **6. Other Charges**

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, service tax / GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be implemented prospective basis with due communication to customers. These charges would be decided upon by the respective business / Function heads in consultation with Operations, Finance, Compliance and Legal Heads.

## **7. Communication Framework**

DFIL will communicate the effective rate of interest -to customers at the time of sanction / availing of the loan through the acceptable mode of communication. Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company. Changes in the rates and charges for existing customers would also be communicated to them through various modes communication such as website updation, email, letters, SMS, etc.

## **8. Amendments to the Interest Rate Policy**

The Board hereby authorizes the Managing Director to review and make appropriate changes to the Interest Rate Policy from time to time basis the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products. We request the Board of Directors to review, make a note of this Policy and approve for implementation of this Policy framework across the product range of the Company.