



**INTEREST RATE POLICY**

This policy was approved by Board of Directors in their meeting held on 16<sup>th</sup> December 2019

## **I. Introduction**

The Company has some internal policies to regulate and control interest charges on gold loans (assets) and Subordinated debts (liabilities). The Reserve Bank of India had vide its Directives/guidelines directed the NBFC s to adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc, determine the rate of interest to be charged for loans and advances and internal principles and procedures for the same. As per the circular and applicable directives issued by RBI-

- i. Though interest rates are not regulated by RBI, rates beyond a certain level may be excessive, non-sustainable and non-conforming to normal financial practice.
- ii. Appropriate internal principles and procedures in determining interest rate and processing charges need to be laid out by NBFC.
- iii. There should be disclosure of interest rates, changes in rates/ charges to customers/ public.
- iv. Annualized rates of interest shall be used in dealing with customers.

In line with the RBI directives and in the interests of the stakeholders associated with the Company, the Company herewith sets out the major points relating to our interest rate model-

## **II. Resources (Liabilities)**

### **a.Subordinated Debt**

Subordinated Debt is an instrument that constitute direct unsecured and subordinated obligations of the Company, subordinate to the claims of all other creditors and also depositors of the Company, present and future, as regards repayment of principal and payment of interest by the Company from out its own funds. The Company can offer subordinated debt in accordance with the applicable norms of RBI. The Company at present offer two types of subordinated debt-

- i. Subordinate debt @ 13 %/14% p.a
- ii. Subordinated debt doubling on maturity (14.87% cumulated p.a)

Interest shall be paid to the debt holder on monthly/Annual rate at the option of the customer.

The Company repays the debtholder from its returns especially the income generated (interest, overdue interest by company from loans offered to customers. The Company maintains adequate asset liability combination to ensure assured returns to the debtholders. The Company management believes the Company will always have adequate cash inflows to service the debt it owes to the creditors, and subordinate debtholders.

### **b.Non-Convertible Debentures (NCD)**

The Company may issue Secured Non-Convertible Debentures as a “security” under the Companies Act 2013 and rules framed thereunder and also RBI norms, as may be applicable from time to time ,

subject to necessary approvals. The Company management may decide upon such interest rates which would be serviceable out of cash inflows/earnings of the Company.

### **III. Loans Offered By The Company (Assets)**

**The Company offers gold loans, business loans and term loans to eligible customer after proper risk assessment under company loan policy. The following shall apply in all cases-**

- Interest rate shall be quoted only on Annualized basis in all documents, pamphlets, website or any other publicity materials. However, the Company may also give rates in non-annualized form, if required and in addition to the Annualized rates, for better understanding. The Company may charge interest yearly, halfyearly, quarterly, daily or any periods as per the terms and conditions of the scheme. Annualised interest shall be the average of the interest to be charged/charged over a period of time and it does not include penalties or late charges on loan repayments. Such charges being dependant on various conditions of the scheme, are calculated separately and added to total dues.
- Gold loans and term loans shall be granted on diminishing balance in account. Loans shall be granted to loanees at fixed rate (flat rate) in case of business loan.
- In case of EMI/EDIs (Business Loan/Term loan) a payment of interest/instalment is considered as "paid" or "Complete" if the full amount due is paid on the respective date. "Part payments" shall be subject to penal interest/charges. Any money paid by defaulting customers shall first be adjusted/ charged against penal interest, charges, interests and then principle amount. In case of gold loans interest is charged on diminishing balance and interest rates vary over time (Say 0-30 days, 31-60 days, 61-90 days etc) depending upon the time slabs set in the scheme. Repayment of interest/principal shall be according to terms and conditions of the scheme as agreed between the customer and the Company.
- The Company may also exercise lien over any other property/assets of the defaulting party (including cash paid or assets pledged in any other loan accounts maintained with the Company) under its custody. The Company may sell such physical assets for recovering the dues after issuing intimation notice of 12 days. However, the agreement/documentation shall contain a clause to this effect and the borrower should have understood and signed the agreement.
- Compounding of interest where applicable, as provided in the loan scheme, shall not be at a frequency more than 1 month/30 days in a year.
- Higher interest rate shall be charged to higher risk cases. In such cases reasons for the same shall be mentioned in the sanction document/loan documentation.
- Rate of interest shall be determined based on cost of debt, operation costs, risk factor, tenure, competition, customer background, credit worthiness, stability of earnings, collateral value etc and also considering the interests of all stakeholders associated with the Company. The Annualised interests shall be mentioned in all applicable policies and also respective loan documentations, wherever necessary.

- The Company will levy penal interest for default or delay in repayment of instalments of principal and/or interest and the same shall be in addition to normal interest rates charged on the principal and interest. However, this shall be specified in the loan agreement/sanction letter executed with or issued to the customer.
- For interest calculation purpose, we -
  - a) Consider 365 days in a year
  - b) Dates of disbursement and closure of account shall both be included for computation of interest.
  - c) The due date for payment of interest shall be reckoned from the date of disbursement.

However, the Managing Director may give exclusion of both dates for particular loan scheme or account considering the market practices, customer background etc.

- Interest rate for lending shall be reviewed by the management of the Company from time to time based on factors mentioned above.
- No grace period will be provided for payment of interest/instalment on loans. However, in eligible cases the Company may provide grace period subject to Loan policy & NPA policy.
- In addition to the interest, other financial charges including cheque bounce charges, RTGS charges or other remittance costs will be communicated to the loanee during loan sanction.
- The maximum interest rate chargeable shall be fixed at 39% Per Annum for normal tenure of loans excluding compounding effect applicable under certain schemes. The ceiling is only on the rate of interest and the same shall not include penal charges or other out of pocket expenses mentioned in the above point.
- Any changes in the interest will be applicable only on prospective basis.
- The company shall not charge any pre-closure charges in case of closing of loans before maturity period.
- The Company may create structured loan products and the terms and conditions of such schemes/products shall be simple and transparent to understand for a person of normal prudence.
- Any formal/ written agreement containing terms and conditions like interest rate, repayment intervals, loan amounts, penalties etc and agreed between the customer and company by signing shall be final. Any agreement, documentation and declarations signed by customer at the time of applying for loan, disbursement of loan or any other situation, shall be considered to be signed with full knowledge of terms and conditions of the particular scheme of loan.

#### **IV. Complementary effect**

This policy shall be read along with other policies of the Company.

#### **V. Overriding effect**

Where due to any amendment in applicable laws/regulations/rules, any clauses of this policy becomes inconsistent with law, then the amended law shall apply to such clauses or such portion of the policy to make the policy legally valid.



#### **VI. Revision/Amendments**

Any amendments to this policy shall be made by decision of Board of Directors on recommendation made by any committee of Board or by KMP or loan department or to bring the policy in line with any future amendment in applicable laws.

For **JMJ Finance Limited**

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