



## **INTEREST RATE POLICY**

## VERSION CONTROL

Version Control Number	Author	Date Created / updated	Date Published	Date Effective	Version Description
Ver 1.0	Pankaj Thapar	7 December 2011		7 December 2011	--
Ver 1.1	Pankaj Thapar	26 September 2012	26 September 2012	1 October 2012	--
Ver 1.2	Pankaj Thapar	15 May 2015	1 January 2016	1 January 2016	--
Ver 1.3	Pankaj Thapar	25 January 2017	1 February 2017	1 February 2017	Change in Benchmark Rate
Ver 1.4	Pankaj Thapar	23 June 2017	23 June 2017	23 June 2017	Change in authorisation to approve Charges other than Interest
Ver 1.5	Pankaj Thapar	28 September 2017	28 September 2017	28 September 2017	Addition of range of Interest Rate for covering unsecured loans and loans under Asset Finance

## Preface

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

### I. Interest Rate Model

The business model of ICF focuses on providing credit only to customers meeting the credit standards of ICF for varying tenors. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

- a) Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment, back ended payment schedule, zero coupon structured loans, etc.
- b) Internal and External Costs of Funds - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c) Internal cost loading – the costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer.
- d) Credit Risk - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.
- e) Structuring Premium: A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral, or other aspects of transaction structure.
- f) Margin: A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
- g) ALCO View & Market Dynamics: Views of the Asset Liability Management Committee (ALCO) of the Board on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be taken into consideration. The forecasts and analysis of 'what if' scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged.

- h) Other Factors – Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

## II. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed *inter-alia* based on the following factors:

- a) profile and market reputation of the borrower,
- b) inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed,
- c) tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients,
- d) group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment
- e) nature and value of primary and secondary collateral / security,
- f) type of asset being financed, end use of the loan represented by the underlying asset,
- g) interest, default risk in related business segment,
- h) regulatory stipulations, if applicable,
- i) and any other factors that may be relevant in a particular case.

## III. Rate of Interest:

- a) Interest rates offered could be on fixed rate basis or floating / variable rate basis.
- b) In case of floating / variable interest rates, the interest rates will be benchmarked as under:  
Loans under SME & Retail Credit Segment: to IndoStar Capital Finance Prime Lending Rate (ICF-PLR).  
Loans under Corporate Credit Segment: to ICF-PLR or to a market linked transparent benchmark, including reference rate of our bankers as maybe agreed with the borrower.
- c) The ICF-PLR is an estimation of a benchmark interest rate approved by the Asset Liability Committee (ALCO) of the Company, from time to time. The ICF-PLR will be reviewed periodically by the ALCO. The estimation and the methodology for calculating the ICF-PLR may be changed at any time with the approval of the ALCO.
- d) The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.
- e) At present the Annualised Rate of Interest\* to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

## Corporate Credit:

Lending Assets / Sector	Range of Interest
Real Estate	15% to 19% p.a.
Loans with tenor less than 12 months	8% to 15% p.a.
Others	12% to 16% p.a.

## SME &amp; Retail Credit:

Lending Assets	Range of Interest
Secured Loans (SME)	11% to 15% p.a.
Unsecured Loans	16% to 24% p.a.
<u>Loans under Asset Finance</u>	9% to 23% p.a.

\* in exceptional circumstances, based on risk perception, this may fall outside the indicated range.

- f) Loan amount, Annualised Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower.
- g) Besides normal Interest, the Company may levy additional interest for adhoc facilities, penal interest / default interest for any delay or default in making payments of any dues. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and communicated in the sanction letter.
- h) Besides interest, other financial charges like processing charges, 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. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
- i) These charges would be proposed by the respective Credit Team(s) of Corporate and SME & Retail Credit Segments of the Company's business and decided upon by the Corporate Lending Committee (CLC) and Retail Lending Committee (RLC), respectively.
- j) The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the management's perceived risk on a case to case basis.
- k) Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.
- l) 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. Any revision in interest or other charges would be with prospective effect.

- m) 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.
- n) 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.
- o) Claims for refund or waiver of charges/ penal interest/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

#### **IV. Content on the website**

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Company website.

#### **V. Implementation**

This Policy shall be effective from 28 September 2017