

INTEREST RATE POLICY

INTRODUCTION:

The Reserve Bank of India (hereinafter referred to as "RBI") had received several complaints regarding levying of excessive interest and charges on certain loan and advances by Non Banking Finance Companies (hereinafter referred to as "NBFCs"). Though interest rates were not regulated by RBI, rates of interest beyond a certain level was seen to be excessive and was not sustainable and confirming to normal financial practice.

Thus, in order to regulate the credit system of the country to its advantage, RBI exercised the powers conferred under Section 45 L of the Reserve Bank of India Act, 1934, and issued the Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009, to NBFCs directing therein to adopt Interest Rate Policy for regulation of excess interest being charged by NBFCs. Goenka Business & Finance Limited (hereinafter referred to as "the Company") has framed the under mentioned Interest Rate Policy in compliance with the said Notification.

The Board of Directors and the Management Team of the Company are responsible for implementing the Interest Rate Policy hereinafter detailed in a fair and equitable manner.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if required, in the Interest Rate Policy to comply with the standards so prescribed.

INTEREST RATE POLICY:

- a) The Company shall calculate the base interest rate after taking into account relevant factors such as cost of funds, margin, risk premium, other costs such as administrative expenses and profit margin. The base interest rate shall be reviewed periodically.

- b) The interest rate applicable to each loan account shall be assessed based on multiple parameters like tenure, borrower's profile, borrower's repayment capacity based on the cash flows, loan to value of the asset financed, type of collateral security provided by the borrower, past repayment track record of the borrower, etc.
- c) The Company shall disclose to the borrower or customer 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 communicate the same explicitly in the sanction letter.
- d) The Company shall not, in any case, charge interest exceeding Cost of Funds + 3% or SBI + 3% whichever is higher on the loans and advances given by the Company.
- e) The Company shall intimate the borrower, the loan amount; annualize rate of interest and method of application at the time of sanction of the loan along with the tenure and amount of monthly/quarterly installment. The other charges such as processing fees, additional interest charged on delayed payments and cheque bouncing charges shall also be mentioned in the Loan Agreement.
- f) The Company shall mention the annualized rate of interest so that the borrower is aware of the exact rates that would be charged to the account.