



# BERAR FINANCE LIMITED INTEREST RATE POLICY

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## **BERAR FINANCE LIMITED INTEREST RATE POLICY**

### **1. Background**

Berar Finance Limited (“**BFL**” or “**Company**”) is a public limited company incorporated under the Companies Act, 1956 and registered with the Reserve Bank of India (“**RBI**”) as a deposit taking non-banking finance company (“**NBFC**”).

The RBI vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on Fair Practices Code (“**FPC**”) for NBFCs dated February 18, 2013 and amended on September 1, 2016, has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on the website of the companies.

As per the RBI guidelines, the Board of each NBFC shall approve an Interest Rate Model that is applicable for the company, taking in to account relevant factors such as cost of funds, margin and 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 letters issued to them.

In accordance with the above provisions, the Board of Directors (“**Board**”), has adopted the Interest Rate Policy (“**Policy**”) of the Company to lay down internal principles and procedures in determining interest rates and other charges on loan products offered by the Company.

### **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 shall have oversight on the Policy. In order to ensure effective implementation of the Policy, the Board may delegate the implementation and its operational aspects to the Executive Chairman/Managing Director and/or Asset Liability Management Committee (“**ALCO**”) as deemed necessary.

- **Asset Liability Committee**

ALCO shall be responsible for taking decision to change the benchmark rate. The ALCO meeting will be held on a quarterly 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.

Management of the Company can decide it's pricing under the overall framework of the Policy including determining the spreads to arrive at the final rate of interest to be charged to customers. Changes to business level internal pricing policies, if any, would need to be approved by any one of officers of the Company:

Sr. No.	Designation
1	Executive Chairman
2	Managing Director

#### **4. Interest rate Model**

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

- Two-Wheeler Loans;
- Vehicle Refinance;
- Four-Wheeler Loans (Used Cars);
- Agri-equipment Loans;
- Personal Loans;
- Loan against Deposit / Staff Loan; and
- Loan against Property

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.

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.

Accordingly, the present annualized base interest rate charged by the Company to its customers shall not exceed the rate set by the ALCO Committee from time to time. Any deviation from the above will be with the consent of the ALCO Committee. The ceiling shall be reviewed periodically, as and when required, to account for any changes in business conditions, competitive intensity, regulatory requirements among others.

## **5. Other Charges**

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, penalty on late payment or non-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.

Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained by the Company and it is at the sole discretion of the management of the Company to deal with such requests if any.

## **6. Communication Framework**

BFL will communicate the rate of interest as well as other charges to customers at the time of sanction/ availing of the loan in writing. Communication will be in the vernacular language or in a language understood by the customers.

Changes in the rates and charges for existing customers would also be communicated to them in writing as part of the loan documentation.

The 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 website of the Company.

#### **7. Review of the Policy**

The Policy shall be revised as and when necessary. Further, the Policy shall be reviewed by the Board at the first meeting of the Board of Directors of each financial year.

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

The Board hereby authorizes the Executive Chairman/ Managing Director to review and make appropriate changes to the Policy from time to time basis the money market scenario which includes the upward/ downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products and such changes shall be ratified in the subsequent ALCO Committee meeting.

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