RRFL INTEREST RATE POLICY

1. Preamble:

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated 2 January 2009 and 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 risks on their web-site. In this regard, the RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 advised that Boards of applicable NBFCs to lay out appropriate internal principles and procedures for determining interest rates and processing and other charges for their loans and advances. In compliance with these regulatory requirements 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.

2. Transparency:

The interest rate determination process and interest rate shall be disclosed on the Company's website and shared with the customer in a transparent manner.

3. Interest Rate model:

3.1. 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 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** - 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) **Mark-up Considerations**: A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
g) **ALCO View & Market Dynamics**: Recommendations of the Asset Liability Management Committee (ALCO) on product pricing with respect to changes in market benchmarks, 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**, if any.

3.2. 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 including usage of internal credit scoring models leveraging traditional approaches like Bureau Score as well as alternative data sources,

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, past repayment track record and historical performance of our similar clients,

d) Overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower,

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, and

i) Any other factors that may be relevant in a particular case.

3.3. 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:
   i. Loans under SME & Retail Credit Segment be linked to a benchmark.

ii. Benchmark interest rate must be approved by the Asset Liability Committee (ALCO) of the Company, from time to time.

c) 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.
d) Annualised Rate of Interest to be charged to borrowers may be in the range as mentioned on the website and as communicated to the borrower.
e) Loan amount, Annualised Rate of Interest and Tenure of loan will be communicated to the borrower in the sanction letter.
f) Company may levy additional interest for penal interest for any delay or default in making payments of any dues as outlined in the loan agreement and communicated in the sanction letter.
g) Besides interest, other financial charges like processing charges etc. would be levied by the company wherever considered necessary. In addition, taxes if any would be collected.
h) Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.
i) Intimation of change of interest or other charges would be communicated to customers.
j) The interest re-set period for floating / variable rate lending would be decided by the Company from time to time.

3.4. Content on the website:

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

3.5. Implementation

This Policy shall be effective from July 22, 2020.

4. Risk Categorization of the Customer:

RRFL shall determine the risk level associated with customers and charge the interest rate accordingly with a change in the risk premium. A classification of high, medium and low risk shall be followed, whose cut-offs and definition will vary depending on the product lines.

5. Authority:

The Asset-Liability Committee (ALCO) shall be responsible for deciding the macro and organizational parameters influencing the interest rates to be offered to the customers.

6. Processing fees:

RRFL shall charge a processing fee at applicable rates notified in advance with refundability clause based on the specific program. 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. The processing fees shall vary with Business Line and product and not with customer profile.

7. General Information:

(a)The information regarding interest rates, fees and charges shall be available through the website and helpline.

(b) Any changes in the interest rate shall be communicated through SMS, E-mail, letter (whichever available) and notified on the website.

(c) Any increase in fees or charges shall be communicated to the customer through available modes such as SMS, E-mail, statements of accounts and posted on our website one-month prior to the effective date of implementation of the revised fee/ charge.

(d) It shall be made sure that all advertisements state the interest rates, and associated charges/ fees visibly and clearly.

8. Periodic Updation:

The interest rate policy shall be reviewed at an annual interval or earlier as and when considered necessary.