ACHIIEVERS FINANCE INDIA LMTD
(formerly known as Achiievers Finance India (P) Ltd)

INTEREST RATE POLICY

I) INTRODUCTION:

The Company has been following certain procedures and practices in the matter of fixing interest rates on gold loans vide RBI circular No. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated Olst July, 2015 read with RBI/DNBR/2016-17/44 Master Direction DNBR.PD.007/03.10.119/2016-17 updated as on 29th December, 2022 (Guidelines on Fair Practices Code for NBFCs), RBI Circular No. DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023 read with RBI Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 directed NBFCs to have a documented Interest Rate Policy / Model approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs. The specific points referred to in the above referred RBI circular are,

a) Charging of excessive interest rates by NBFCs.
b) The need for adoption of an interest rate model along with approach for gradations of risk & rationale for charging different rates.
c) Disclosure of rates of interest rates, changes thereof and publicity thereto.
d) Adoption of annualized rate of interest while dealing with customers.

Interest charged under various Gold Loan Schemes shall have the following components:

- Basic Interest Rate
- Risk Interest Rate
- Penal Charges

II) OBJECTIVES:

The main objectives of the interest rate policy are to:

a) Ensure that interest rates are determined in a manner as to ensure long term sustainability of business by taking into account the interests of all stakeholders,
b) Develop and adopt a suitable model for calculation of a reference rate,
c) Enable fixation of interest rates which are reasonable: both actual and perceived.
d) Ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices.
e) Charge differential rates of interest linked to the risk factors as applicable.
f) Facilitate transition to income recognition norms that may be stipulated by RBI in future and adoption of best practices.

III) BASIC INTEREST RATE:

Basic Interest Rate represents the rate chargeable under every Gold Loan Scheme irrespective of the risk weight attached to the schemes or the type of scheme. Basic Interest shall be arrived at after considering the following aspects:

- **Cost of Working Capital Funds**

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. Major contributing factor to this component includes interest on bank borrowings, other incidental charges thereto and interest payable on Secured Non- Convertible Debentures.

- **Overhead Cost**

Overhead costs comprises of employee cost, establishment costs such as charges for rent, electricity, water etc., security charges such as engagement of security guards, setting up of burglar alarms and CCTV cameras, insurance premium for insuring the gold held in the custody of the Company etc., marketing expenses etc.

- **Return on Capital Employed**

Fair return on capital is calculated as per industry standards and taking into account the interest of investors of the Company which is a listed one. Market conditions include the rate of interest charged for similar loans by Banks and other NBFCs. Guidelines of Reserve Bank of India from time to time also are strictly followed. The Board shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owners capital employed in the business.

Thus the basic interest rate for the gold loan schemes shall be determined by considering the cost of working capital, overhead cost and fair return on capital employed.

RISK INTEREST RATE:

Risk Interest shall be determined by taking into account the degree of risk involved in loans under each loan scheme. While the rate shall be the lowest for the schemes where advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the period of the loan as the incidence of risk goes up with the passage of time. Risks in respect of gold loans includes the fall in price of gold, possibility of the gold pledged turning out to be spurious or of low purity, stolen gold being pledged, delays in settling loans of deceased due to legal issues etc.

The interest rate goes up depending upon the periodicity of servicing the interest. Interest servicing within 30 days of disbursal is priced lowest compared to 90 days and so on.

PENAL CHARGES:

Penalty is charged at the rate of 3% p.a. for non-repayment of the loan dues within the contracted period of 12 months and also to compensate the possibility of loss on account of liability exceeding the realizable value of gold given as security.

IV) DETAILS OF POLICY

A) Methodology for calculation of interest on loan accounts

The main spirit underlying the methodology is to project a transparent and fair approach to the customers and also be in readiness to adopt the practices now in vogue amongst commercial banks keeping in view the peculiarities of the gold loan business.

a) On the daily balances

Interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate. Thus if the annualized rate of interest applicable is R% the interest amount for each day would be

$$\frac{R \text{ X Amount outstanding}}{36000}$$

b) Minimum period for which interest chargeable:
The minimum period for which interest is payable by the borrower shall not exceed 1day only. Interest payable / receivable shall be calculated on the actual daily outstanding balance.

c) Basis - number of days per year:
Interest shall be calculated based on 360 days a year. Dates of disbursement and closure of account shall both be included for computation of interest.

d) Compounding:
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

e) Fixed rate/ Floating rate: All loans shall be granted at fixed rate only.

B) Annualised Rate of Interest

a) Interest rate quoted shall be on annualized basis only in all documents, internal instructions/ communications and publicity materials (pamphlets, brochures, hoardings, etc.)

b) Where the rates are mentioned in non-annualized form (e.g. in product promotion) the annualized rate shall also be mentioned along with so as to comply with regulatory requirements and Fair Practices Code.

C) Risk Based Gradation of Interest Rates

a) Considering the nature of the loans (collateral valuation being vital) the major inherent risk is the Loan to Value (LTV) or Loan per Gram. Since a higher LTV translates to a higher risk it stands to reason that LTV and Interest rate should be correlated. Accordingly, assuming all other factors to be the same a higher LTV loan should attract a correspondingly higher interest rate as compared with a lower LTV loan.
b) The LTV linkage with interest rate shall be at the time of sanction of loan and cannot be changed subsequently due to movements in the overall collateral coverage arising from market movements in gold prices,
c) Where substantially low rates of interest are charged on certain / special schemes or in specified regions/areas / branches the maximum amount per borrower shall be appropriately restricted and checks put in place to prevent misuse of the facility. Such schemes shall be periodically reviewed and appropriately modified to meet with the overall objectives of floating such schemes.

D) Maximum/ Ceiling Interest Rate on Loans

a) Keeping in view the regulatory (RBI) expectations from NBFCs and also the Fair Practices Code the maximum interest rate chargeable shall be fixed at 29.99 % p.a. across all states / regions excluding compounding effect where applicable under any schemes.

b) The above mentioned ceiling shall be reviewed periodically at quarterly (calendar) intervals or more frequently, as and when required, by the Board of Directors keeping in view regulatory guidelines / directives, intensity of competition in the market, net interest margin target, market rates etc.

E) Rebate on interest

Schemes offering rebate on the interest rate may also be considered on the ground that customers who regularly service interest payable on loans deserve to be incentivized. The extent of rebate may vary from scheme to scheme but may not exceed 3% p.a.-10% p.a. Rebate may be considered at the time of full settlement in cases where interest payable has been serviced by the due dates without any default on all occasions. However, a grace period of 3 calendar days may also be considered and built into the loan scheme.

F) Due date for servicing interest

Interest will be calculated from the date of disbursement and shall be charged for the day of closure of the account also as per current practice. The due date for payment of interest shall run from the date of disbursement,

G) Structured Products

Products offered and features thereof shall be straight forward/ transparent and simple to understand so as to comply with the letter and spirit of RBI guidelines. Structured products, when introduced, should comply with the basic features of the Interest Rate policy and the FPC. Features of such products, especially the differential features, should be clearly explained to and understood by the prospective borrower before sanction as a matter of fair practice. Operational personnel should be well equipped in this regard.

H) Base Rate and Net Interest Margin

a) In order to arrive at a proper basis for arriving at the cost of borrowings / funds / resources a suitably calculated 'base rate' shall be developed keeping in the weighted average cost of borrowings, interest paid on liability products (NCDs / Subordinated Bonds) and return on equity capital. Return on equity capital shall be taken at 12%-18% p.a. Interest rate on loans shall be based on the 'base rate' so that scope for interest rate mismatches is minimized,

b) The base rate shall be calculated at the end of every month and approved by the ALCO (para L below).

a) The NIM (Net Interest Margin) shall be calculated over the ‘base rate' so calculated to arrive at the lending rate.

b) The NIM shall be capped between 10%- 18% over the 'base rate', varies from case to case.

c) Lending at or below the 'base rate' shall be done only for short term promotion of business either for a specific loan scheme or specific branch(es) or for lending to poor downtrodden sections.

d) Lending at or below the 'base rate' shall not exceed 10%-20% of the total loan portfolio, varies from case to case.

e) Lending at below the ['base rate' plus operational expenses] shall not exceed 15%-30% of the total loan portfolio, varies from case to case.

I) Asset Liability Management Committee (ALCO)

a) The ALCO shall hold meetings at calendar quarterly intervals or more frequently when required. Review of interest rates shall be periodically taken up by the ALCO within the overall stipulations of the Interest Rate Policy approved by the Board of Directors.

The ALCO shall consist of the under mentioned functionaries

1)	Mr. Suman Chakrbarty	Chairman
2)	Ms. Pradiepta S Chakrvarty	Member
3)	Head of Operations	Member
4)	Head of Finance	Member
5)	Head of IT	Invitee

J) Other Charges Recovery of Out-of-Pocket Expenses

a) The Company may also levy other charges such as loan processing fees, insurance (of gold ornaments), processing charges for delivery of gold against lost pawn ticket, safe custody charges (due to failure to take delivery of gold ornaments immediately after closure of account), statement of account etc. In addition, the Company shall be entitled to recover costs incurred in connection with postage, legal costs etc. The above charges shall be pegged at reasonable levels and in the spirit of Fair Practice.

b) Guidance rates are as under:

Description of the charges	Extent of charges	Comments
Loan processing , Appraisal charges, Insurance etc.	Will be capped at 1% of the loan amount. A reasonable minimum and maximum in absolute terms may be prescribed.	Segments borrows (i.e. small borrowers), Special schemes may be exempted from such charges.
Delivery against lost Pawn Ticket – processing charges	Between minimum of Rs 75 and maximum of Rs 100 per pledge	
Safe custody charges – when borrower does not immediately take delivery of the pledged gold ornaments	Loan amount upto Rs. 10,000/-: NIL Loan amount above Rs. 10,000/-: Rs. 5/- per gram subject to maximum of Rs. 100/- per loan	
Statement of account	Free of cost if demanded within 30 days of closure of account. In other cases a minimum of Rs. 25/- and maximum of Rs. 100/- per statement	
Postage, Courier charges	As per Actuals	
SMS Charges	At the time of loan closure, Rs. 5/- per quarter will be deducted	

c) The actual rates from time to time shall be fixed by the ALCO within the band / limits mentioned under each head and reviewed at least half yearly intervals.
d) ALCO shall have the authority to implement any other reasonable / justifiable charges from time to time.
e) Taxation regulations as applicable shall be complied with.
f) Discretion to waive / reduce the charges shall be vested with a senior functionary on a case to case basis after suitable delegation of powers is worked out and approved.

K) Principles for gradation of risk

a) Achiievers Finance India Lmtd has its own model for arriving at interest rates taking into consideration among other things the average cost of funds, unallocable costs, (operational expenditure) administrative costs, risk premium, the expected loan performance and profit margin.
b) The decision to give a loan and the interest rate applicable to each loan account will be assessed on a case to case basis, based on multiple parameters such as the borrower profile, repayment capacity, borrower's other financial commitments, past repayment track record if any, loan to income ratio and employment stability. Such information is gathered based on information provided by the borrower, credit reports and bank statements.
c) The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.
d) Besides interest. other financial charges like processing fees. origination fees. Cheque bouncing charges, line usage fees, late payment charges, withdrawal or cash advance fees, charges for issue of statement account etc., would be levied by the Company wherever considered necessary and are adequately disclosed in the loan agreement.
e) Besides these charges, stamp duty and other cess would be collected at applicable rates from time to time as communicated in the documentation provided.
f) The interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method.
g) The frequency of interest payment will also be disclosed as approved by the designated authority.
h) While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.
i) Claims for refund or waiver of charges/ penal charges / additional interest would normally not be entertained by the Company but can be granted on case to case basis at the sole discretion of the Company to deal with such requests, if any.
j) Accordingly, the rate of interest for Personal Loan and other charges, as applicable, will be disclosed in the loan agreement.