

## **Interest Rate Policy**



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### Summary of Policy

<b>Policy Name</b>	DMI Finance Private Limited – Interest Rate Policy
<b>Issue and Review date</b>	April 19,2011
<b>Date of last review</b>	September 25, 2018
<b>Date of current review</b>	September 11, 2019
<b>Date of next review</b>	On or before September 2020
<b>Periodicity of review</b>	Annual
<b>Owner / Contact</b>	Credit Department
<b>Approver</b>	Board of Directors
<b>Annexures</b>	NA

## Interest Rate Policy

### 1. Preamble

Though interest rates are not regulated by the Reserve Bank of India ('RBI'), rates of interest beyond a certain level and not commensurate to the risks undertaken for the particular transaction may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice.

Given that the business model of DFPL focuses on extending the loan only to select well known customers/corporate borrowers across tenor bands, the fixed interest rate (comprising the aggregate running coupon and that, if any, payable on redemption) charged shall be in the band of 14% to 25% per annum (excluding upfront or back ended fees and variable redemption / equity upside for structured transactions) based on the evaluation of various risks detailed hereunder:

### 2. Establishing an Interest Rate

The interest rate applicable to a loan will be determined by as per below mentioned schedule:

Category of borrower	Tenure of Loan	Rate of Interest/Coupon Rate*
<b>Corporate Borrower</b>		
<i>Real Estate</i>		
Term Loan (Fixed and Floating rate loans)	3-5 years	14%-25%
NCD's(Fixed and Floating rate loans)	2-5 years	
<i>Non-Real Estate</i>		
Term Loan (Fixed and Floating rate loans)	3-5 years	12%-21%
NCD's (Fixed and Floating rate loans)	2-5 years	
<b>HNI Borrower</b>		
Term Loan/LAS (Fixed and Floating rate loans)	2-4 years	12%-21%
<b>Individual Borrowers (including employees/staff loans)**</b>		
Home Loan (Fixed and Floating rate loans)	Upto 20 years	9%-15%
Loan Against Property (Fixed and Floating rate loans)	Upto 15 years	12%-18%
<b>Overdraft Rupee Facility</b>		
Real Estate (Fixed and Floating rate loans)	Upto 3 years(to be renewed at regular intervals)	14%-25%
Non-Real Estate (Fixed and Floating rate loans)	Upto 3 years(to be renewed at regular intervals)	12%-21%

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### **Interest Rate Criteria for Corporate Borrowers:**

The interest rate will depend on the following factors:

- Credibility of the promoters
- Type and No. of projects being developed by the borrower
- Cash flows of the borrower and its group companies
- Tenure of loan,
- Credit history of the borrower,
- Security offered by the borrower i.e. Real Estate or Shares, Personal or Corporate Guarantee or any other security as may be considered fit by the company.
- All other aspects as the management may deem fit

### **Interest Rate Criteria for HNI Borrowers:**

The interest rate will depend on the following factors:

- Income of the Borrower,
- Tenure of loan,
- Credit history of the borrower,
- Security offered by the borrower i.e. Real Estate or Shares
- All other aspects as the management may deem fit

### **Interest Rate Criteria for Individual Borrowers:**

- Credit history of the borrower,
- Tenure of loan,
- Salary/Business Income
- Property Type
- Age of Borrower
- Family Background
- All other aspects as the management may deem fit

***\*There can be a deviation of 1%-3% in the rate of interest to be charged from the borrower. The same is subject to approval of the Joint Managing Directors.***

***\*\*Employee loans are linked to SBI Base rate as issued on April 01 every year for the purpose of perquisite taxation***

### ***Consumer Loans***

The company has started distributing consumer loans as well to individuals and all the loans provided shall be in accordance with the Consumer Loan Policy.

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### **3. Factors affecting rate of interest**

- a) **Costs of Funds** - The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced normally referred to as internal cost of funds. All loans or credit facilities should, at minimum, provide an Internal Rate of Return ('IRR') or a life to maturity yield of 15%. From an external cost of funds perspective, the benchmark interest rate that may be used by DFPL could be either the Base Rate of India or the 10-year Government of India bond as adjusted for the rating spreads available in the markets.
- b) **Internal cost loading** - The interest rate charged will also consider costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a transaction should be considered before arriving at the final interest rate quoted to a customer.
- c) **Credit Risk** - As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a transaction depends on the credit strength of the customer.

Further various methods mentioned below are used for evaluating credit risk by the company:

#### **Credit Risk Evaluation for Corporate Borrowers:**

The credit risk for Corporate Borrowers is evaluated after taking into consideration the following factors:

- Debt/Equity ratio,
  - Interest Coverage Ratio,
  - Debt Service Coverage Ratio,
  - Track record with other lenders
  - Market Value of assets owned by the Group
  - Security Cover
  - Any other factor depending on case to case basis
- d) **Fixed versus floating** – the applicable interest rate shall also be commensurate from the perspective of the fixed versus floating interest rate requirements of the customers and shall have to be decided in view of the benchmarks deliberated above.

Apart from the above, the Company does a detailed analysis of the borrower through its online portal(Salesforce) where all criteria's mentioned above are reviewed by the committee which takes decision on the loans.

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### **4. Penal Interest/Add on Interest**

DFPL will charge a penal interest/add on interest shall range between "3% to 10%" or a lower amount as may be mutual agreed with the borrower.

### **5. Prepayment Penalty/Foreclosure Charges**

#### **Floating Rate Loans**

- No charges for prepayment of home loan whether paid in partial or full irrespective of the source.

#### **Fixed n Floating (Dual Rate) Loans**

- No charges for prepayment of home loan fees shall be payable for partial or full prepayments irrespective of the source once the loan has been converted into Floating Interest loan post the expiry of the Fixed Interest Rate period.
- No charges for prepayment of home loan fees shall be payable for partial or full prepayments during the Fixed Interest Rate period of the loan where the loan is pre-closed from own sources. However, for any such partial or full prepayment from other than own sources during the Fixed Interest Rate period of the loan will attract prepayment fees between 1% to 5% of the amount prepaid.

### **6. Types of Fees/Charges**

- The company generally charges a fees between "0.25% to 4%" depending on category of loan and risk associated in the form of processing fees/ non-refundable upfront fee.
- Any deviation to the said fees/charges including penal interest/ additional interest would be made with the approval of the Joint Managing Directors.
- All other fees for cases where DFPL is involved shall be set out in the individual engagement letters.

### **7. Procedural Aspects**

#### **A. DFPL shall communicate to the customer;**

- a) the amount of loan sanctioned along with the terms and conditions including annualised rate of interest,
- b) details of the default interest / penal interest rates and the charges payable by the customers in relation to their loan account and method of application thereof and (penal interest charged for late repayment of loan would be mentioned in bold in the loan agreement)
- c) Terms and conditions and other caveats governing the credit given by DFPL arrived at after negotiation

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- d) In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer either as an addendum / additional annexure to the agreement/term sheet. However all the relevant formalities (e.g. further legal documentation, approval of customer, certification of DFPL officials etc.) relating to such change shall be documented and a copy of the same shall also be sent to the customer. The same may be communicated through electronic media or any other form of communication by the employees of DFPL. The acknowledgement of the receipt of the said additional document shall also be preserved on the records by DFPL officials.

All the above information shall be in writing / electronic media or any other form of communication by the employees of DFPL and shall be duly approved by the customer and certified by the authorised official of DFPL and would be documented in a chronological manner for future reference.

### **B. Content on the website**

The interest rates shall be displayed on the company website, if any, as per the RBI directions.