



**Heritage Finlease Limited**  
**Interest Rate Policy**

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## Interest Rate policy

### 1. Preamble

This Policy lays down the guidelines to the operational personnel and other decision makers (including the respective Committees) of Heritage Finlease Limited (hereinafter referred to as “the Company”) while determining the rate of interest and other fees.

With a view to institute fair and transparent dealings in the lending business, the Company has adopted and put in place the Interest Rate Policy parallel to the company’s Fair Practice Code, in accordance with the Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company.

RBI further advised NBFC's to adopt an appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

### 2. Objectives

The company through this policy has laid down appropriate internal principles and procedures in determining the range of interest rates that shall be applicable to various customers.

### 3. Interest Rate Model

The Company lends money to its customers through Fixed and Floating rate loan depending on the loan product and market practice. The Company lends money through various products to cater to needs of different category of customers. Few broad categories of customer segments are as follows:

- i. Dairy Farmers (Secured/Unsecured)
- ii. Personal/Consumer
- iii. Loan against the property
- iv. Commercial/Business Loans

Interest rate applicable to a particular loan will be determined by reference to number of factors, including:

#### a. Cost of borrowing:

Cost of debt is the rate at which the Company procures debt for on-lending purposes. The rate shall be treated as indicative and shall vary depending on the market conditions, performance of the company and the rates at which the creditors shall be willing to give the debt.

#### b. Internal cost loading:

The interest rate charged will also take into account 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 should be taken into account before arriving at the final interest rate quoted to a customer.

#### c. Margin:

A fair percentage will be determined by the company's Board of Directors, based on market trends and subject to RBI norms.

#### d. 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 particular transaction depends on our internal assessment of the credit strength of the customer.

**4. Other charges:**

- i. **Loan Processing Charges:** The processing fees will be decided from time to time and may be deducted at source. The processing fees may in % basis or on absolute basis.
- ii. The company may charge other charges like bounce charge, documentation charges, stamp charges, NOC charges, foreclosure charges, collection charges, repossession charges, pickup charges etc.
- iii. To protect customers and to secure the company, the company shall offer credit insurance policy along with the loan and collect the insurance premium from the respective customers.
- iv. Penalty for non-compliance of material terms and conditions in the loan agreement by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- v. The company shall not capitalize the penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- vi. The company shall not add any additional component to the rate of interest.
- vii. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- viii. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

**5. Disclosures:**

The following disclosures shall be made to the borrower:

- a. The amount of loan sanctioned along with the terms and conditions including annualized rate of interest applicable to the loan, processing charges, any other charges levied on the loan.
- b. Details of the default interest / penal charges rates up to (indicative...%) per month and other fees and charges payable by the customers in relation to their loan account and method of application thereof and
- c. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.

**6. Review:**

The policy shall be reviewed by the Assets Liability Committee (ALCO) annual and based on the recommendations (ALCO); the Board may revise the same from time to time.

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