TruCap Finance Limited
(Formerly Dhanvarsha Finvest Limited)

Interest Rate Policy

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VERSION CONTROL:

Sr. No.	Details of Changes	Date of Creation/Change	Department	Version No	Approved By
1.	Original Document	May 28, 2024	Credit Team	Version 1.0	Board of Directors

1. Introduction

With a view to institute fair and transparent dealings in the lending business, the Board of Directors of TruCap Finance Limited (Formerly Dhanvarsha Finvest Limited) ("TruCap/Company") has adopted and put in place, this Interest Rate Policy ("Policy") formulated to ensure compliance with the Master Direction – Reserve Bank of India ("RBI") (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023(as amended from time to time) along with applicable circulars, notifications issued by the RBI with respective to manner of charging interest and other charges.

The Credit Committee ("the Committee") as the case may be, while fixing interest rates chargeable to the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the RBI or such other authority from time to time.

2. Objectives

The main objectives of this Policy are to:

a. Develop an interest rate model to form a guiding principle for rate of interest charged and other charges recovered from customers for loans advanced by the Company.
b. be compliant with extant guidelines issued by the RBI with respect to the interest rate charged and other charges recovered from the customers.
c. formulate a policy and process to avoid charging relatively excessive interest rate to the customers.
d. ensure that interest rates are determined in a manner as to ensure long term sustainability of business by considering the interests of all stakeholders.
e. develop and adopt a suitable model for calculation of a reference rate.
f. enable fixation of interest rates which are reasonable: both actual and perceived.
g. ensure that computation of interest is accurate, fair, and transparent in line with regulatory expectations and market practices.
h. charge differential rates of interest linked to the risk factors as applicable.
i. facilitate transition to income recognition norms that may be stipulated by the RBI in future and adoption of best practices.

3. Applicability

The Company is currently into lending against gold jewellery, Unsecured Business Loans to MSME sectors as its primary products with personal loans and loan against property in run-off mode. Further, although the Company would continue to evaluate multiple products to meet the financing requirements of its various customers, the Policy will be applicable to any product that is developed and provided by the Company to its customer.

The provisions of this Policy shall apply to all the fresh loans availed/renewed.

4. Rate of Interest, Penal and other charges and fees

a. Rate of Interest

The rate of interest should not be less than the borrowing rate of the Company and shall be in accordance with the interest rate model and gradation of risk of the borrowers, specified below. If the rate of interest to be charged exceeds the maximum possible limit, the approval of the Credit Committee shall be obtained. In any event, the maximum rate of interest shall be 45% per annum at the time of disbursement of the loan amount under any of the loan product.

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

b. Penal Charges

Levying of penal charges may be adopted as a punitive measure adopted by the Company on borrowers defaulting in making repayments and/or breaching any terms and conditions mutually agreed in the loan agreement.

Events when penal charges shall be levied shall be below:

- Delay in interest or principal re-payment (cheque/NACH bounce)
- Default in promise to payment
- Delay/default in submission of post disbursement documents
- Delay/default in creation of security
- Delay/default in settlement terms

Penal charges may vary across different loan products/schemes offered by the Company and shall not be added to the rate of interest charged to the customers and there shall not be capitalisation of penal charges. However, this shall not affect the normal procedures for compounding of interest in the loan account.

Further, levying of penal charges shall be uniform and there shall be no discrimination between a particular loan/product category, especially between loans sanctioned to individual borrowers, for purposes other than businesses, and to non-individual borrowers for similar nature of non-compliances, while levying penal charges.

Penal charges levied shall be exclusive of GST and shall be on overdue amount for the number of days of delay till the time such overdue amount has been paid. GST is applicable on levying of penal charges and the same will not be refunded. However, while finalising the penal charges to be levied, the Credit Committee shall ensure that the same is reasonable and appropriate vis-à-vis the nature and gravity of non-compliance with the material terms and conditions.

c. Processing Fees

The Credit Committee is authorised to approve and modify the processing fees for each product offered by the Company and such fees may vary for each product. Further, the Credit Team is authorised to further decide on processing fees levied shall be on % basis or an absolute amount for the loan product. Further, processing fees may be deducted at source.

d. Other Charges

Besides interest, other financial charges like origination fees, cheque bouncing 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 and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. Any revision in these charges would be approved by the product committee.

Further, the Company shall not introduce any additional component to the rate of interest in any other manner except for the component as formed part of the sanctioned terms.

5. Gradation of Risk

A comprehensive approach for the gradation of risk does not discriminate between classes of borrowers. However, the rate of interest for loans for various business segments and various schemes thereunder is arrived after adjusting for spread by the relevant business segment. Factors taken into account by businesses for calculating spreads are as follows:

a. Interest rate risk (fixed vs floating loan)
b. Credit and default risk in the related business segment
c. Historical performance of similar homogeneous clients
d. Profile of the borrower
e. Industry segment
f. Repayment track record of the borrower
g. Nature and value of collateral security
h. Secured vs unsecured loan
i. Subvention available
j. Ticket size of loan
k. Bureau Score
l. Tenure of Loan
m. Location delinquency and collection performance
n. Customer Indebtedness (other existing loans)
o. Macro-economic conditions

The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.

Risk Based Gradation of Interest Rates for Gold Loans

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. However, 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.

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.

The rate of interest is arrived through the interest rate model which considers relevant factors such as cost of funds, volatility in gold price, margin, market dynamics and risk premium. Scheme are based on gold prices which are volatile in nature and fluctuates on daily basis. Hence, different lending schemes are formulated which determines rate per gram, pricing, interest frequency and tenure. These schemes can be reviewed and modified and/ or discontinued or Fresh schemes may be introduced as per the requirement.

6. Interest Rate Model

Interest Rate Model of the Company defines the basis on which the interest rate range shall be arrived at for various loan products.

The model takes into consideration the constituents which are defined based on the various operational expense line items and the premium expectations from the business.

The following items shall form a part of the Interest rate model:

Dhanvarsha Base Rate (DBR) = cost of funds + allocable operation expenses + un-allocable operation expenses + return on equity + spread. The minimum DBR as on date of the approval of this Policy is 20% p.a. The same is applicable for all products except for loan against the collateral of gold jewellery.

Further, for co-lending arrangements, the minimum pricing to be charged to the collab partners where the Company is lending with a majority share shall be as approved by the Credit Committee.

Cost of funds - This will be the weighted average cost of funds on monthly basis for the Company.

7. Communication Framework

Interest rates would be intimated to the customers at the time of sanction / availing of the loan.

Interest Rate 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 web site of the Company. Changes in the rates and charges for existing customers would also be communicated to the customers through either of mail, letter, SMS and shall always be prospective and not retrospective.

Key Fact Statement detailing each of the charges, interest levied on the customer shall be specifically informed to the customer at the time of sanction of the loan and shall form part of the loan documentation and be kept in bold. Further, the Company shall keep the acceptance of these terms and conditions by the borrower on its record.

The Company shall display on its website Interest rates and service charges. Additionally, while sending reminders for non-compliance of material terms and conditions of loan, applicable penal charges shall be communicated to the customers.

8. Review/Revision/Amendments

The Credit Committee will oversee the implementation of this Any changes which are due to regulatory amendments, the same may be approved by either the Managing Director or Chief Credit Officer of the Company.

If at any point a conflict of interpretation / information between the Framework and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and / or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.