

INTEREST RATE POLICY

Introduction

This policy shall be hereinafter referred to as the Interest Rate Policy for Agro Indus Credits Limited (AICL). As per this policy, rate of interest on gold loan and other schemes are being fixed taking into account of various factors such as cost of funds, overhead costs, fair return on capital employed, market conditions and guidelines issued by Reserve Bank of India from time to time regarding Fair Practices Code.

The Board of Directors of the Company or a Committee drawing power from the Board, while fixing interest rates on Gold Loan Schemes shall be guided by this policy document on Interest Rate Fixation.

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 Reserve Bank of India or such other competent authority from time to time.

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

- a. Basic Interest Rate
- b. Risk Interest Rate

a. 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:

i. 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.

ii. Overhead Cost

Overhead costs comprises of employee cost, establishment costs such as charges for rent, electricity, water, communication facilities, security charges such as engagement of security guards, insurance charges, marketing expenses etc.

iii. Return on Capital Employed

Fair return on capital is calculated as per industry standards and taking into account the interest investment etc. 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 to be strictly followed.

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

b. 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. The rate of interest of gold loan mainly depends upon the LTV fixed for it. 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.

Others

The full details of method of calculation of risk interest shall be mentioned in the Fair Practices Code approved by the Board of Directors and be published in Company's website.

The rate of interest of each gold scheme for each slab period (3 months, 6 months, 12 months) etc. are clearly mentioned in the pledge form as well as the sanction letter issued to the borrower.
