V.8/2/24(07.02.24)

YOGAKSHEMAM LOANS LIMTIED

Policy on Interest Rate and other Charges As approved by the Board on 26th March 2016

amended on 07th February 2024

Review History

Original Approved	**Board meeting**	**26th March 2016**
1st Review	**-do-**	**17thMay 2018**
2nd Review	**-do-**	**25th March 2019**
3rd Review	**-do-**	**22nd October,2020**
4th Review	**-do-**	**23rd January,2021**
5th Review	**-do-**	**29th October 2021**
6th Review	**-do-**	**25th January,2022**
7th Review	**-do-**	**25th August 2023**
8th Review (Redrafting)	**Circulation**	**07th February-2024**

Contents

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Preamble,

This policy has been framed as required under the Master Circular issued by Reserve Bank of India vide circular DNBS..PD.CC No.054 / 03.10.119 / 2015-16 dated 1st July 2015 and stand amended in terms of the Master Direction- RBI (NBFC Scale Based Regulation) Directions,2023 RBI/DoR/2023-24/105 dated October 19, 2023. This policy will be the guiding principles for determination of interest and other charges to be levied while transacting its business.

I. Methods of charging interest

The company shall be free to adopt appropriate interest rate model such as 'fixed rate of interest or floating rate of interest while leding. Fixed rate method implies that, other things remaining the same, the rate of interest for a loan transaction shall remain unchanged during the life time of the loan availed by the borrower. Whereas the floating rate method of charging interest implies that the company will have a base rate of interest and the actual rate of interest applicable to an individual borrower will be the base rate plus or minus a prescribed rate either a premium or a discount as may be decided by the credit sanctioning authority and stand changed based on changes in the base lending rate during the life time of the loan.

a) Method applied by the company

The company shall, for the time being, adopt the fixed rate of interest method on all its loan products until decided otherwise.

b) Interest to be on a reducing balance basis and compounded monthly

The interest charged by the company shall be on the reducing balance, that is to say the daily balance of the loan account. The Interest will be compounded on a monthly basis, that is to say, if the interest is not serviced on a monthly basis interest at the contracted rate would be charged on the interest debited in the account.. The interest rate expressed elsewhere in this policy refers to the interest worked out on a reducing balance basis.

c) Annualised rate

In addition to disclosure of the contracted rate, the Company will endeavour to disclose the annualised effective rate applicable to the borrower in the loan document

II. Fixing of Interest Rate,

1)The company shall be free to price its loan products. The factors that affect interest for different loan products includes the following;

i. Cost of funds, ie the overall cost at which the company is able to raise its long term and short term funds.

ii. The operating cost of the company
iii. Reasonable margins
iv. Secured and un secured,
v. Historical trend on loans of homogeneous class of customers
vi. Security cover of collaterals
vii. Tenure of loans
viii. Ticket size
ix. Locational factors
x. Risk premium and
xi. Pricing of competitors for the same or similar loan products

2) Approach to fixation of interest rate.

a) The interest rate for different loans may be priced differently and also in respect of same products, the company my devise different schemes and price it differently across slabs/ products.

b) Considering the class and category of customers where credit assessment is performed more in an indirect manner, a pre-defined risk gradation or assignment of rating exercise may not be fruitful particularly for small ticket loans, the company is generally sanctioning.

c) The Policy put forth an interest rate model the company shall charge on the borrowers on various products as provided in ***Schedule-I*** . The sanctioning authority shall apply the interest and other charges within the set limit depending on the credit policies from time to time.

d) Management shall put in place detailed internal guidelines for credit and risk assessment and the applicable interest rate for different loan schmese. While formulating different loan schemes the management shall ensure to gain a reasonable yield that will give reasonable return on equity. The gradation of risk shall be based on the categorisation of borrowers, restricted profiles, geographies and size of the loan. The management may frame different loan schemes to meet the growing demand for various loan products from time to time..

e) A lower risk refers to the availability of documentary proofs for establishing the income/ cash flows, established repayment history; lower LTV, higher credit score, tenure of loan etc. However, the cost of acquisition/ servicing of loans may be also factored in while pricing the loan (Higher the ticket size, lower will be the cost of acquisition/ servicing and the relative advantage may be passed on or shared with the borrower by fixing interest accordingly). The loan sanctioning memo/ report shall clearly state the rate applied to the individual loans. The sanction letter/pawn ticket shall clearly disclose the rate of interest and connected matters.

III. Other Charges.

In addition to the interest, the Company may levy and collect charges for specific purpose/services as a measure of defraying the cost associated with such purpose/ service. It may charge penalty for violation of important terms and conditions of the loan. The other charges and penalties are mentioned in ***Schedule II*** of the policy.

a) Approach towards Penal Charges

In the ordinary course of business the Company sanctions loan on the bonafide that the borrowers will service the loans strictly in accordance with the terms and conditions. Their failure to comply with important terms and conditions will lead to serious financial and compliance risk to the Company. Penalty is imposed upon non compliance with the terms and conditions to inculcate necessary credit discipline on the borrower and not as revenue source. Penal charges will be reasonable and match with the consequences of the default.

b) Nature of Penal Charges

(i) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower will be treated as ***'penal charges'*** and will not be levied in the form of ***'penal interest'*** that is added to the rate of interest charged on the advances. No further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

(ii) The Company will not introduce any additional component to the rate of interest and ensure compliance to the applicable guidelines issued by the Reserve Bank of Inadia in both letter and spirit.

(iii) The quantum of penal charges will 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.

(iv) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non individual borrowers for similar non-compliance of material terms and conditions.

(v) The quantum and reason for penal charges will be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of the Company under Interest rates and Service Charges.

(vi) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges will be communicated. Further, any instance of levy of penal charges and the reason therefor will also be communicated.

SCHEDULE -I INTEREST RATE FOR DIFFERENT LOANS.

Sl.No.	**Loan Product**	**Basis of Interest Fixation**	**Remarks**
i.	Gold Loan	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 5% towards risk premium (Maximum of 26% p.a)	Approach to risk gradation • Tenure of the loan • Loan to Value Ratio (LTV) • Purity /quality of the security • Risk associated with location • Ticket size considering the cost of acquisition/ servicing of the loan/ borrower. Management may devise different schemes based on tenure, loan to value (LTV) or interest rates and for different locations. In view of the acute competition prevailing in the gold loan market and the growing presence of commercial banks and larger NBFCs in gold loan offering loans at lower prices, the management is free to respond to such marketing tactics. by devising suitable schemes. However, the rate of interest shall offer a minimum yield of 21% P.a for the gold loan portfolio as a whole.
ii.	**Vehicle Loan**	Management may devise different loan schemes in the product policy with different rate of interest, LTV, targeting different segments and locations or to respond to competition or to tap the business of festivals. However, the interest rate so charged shall ensure a minimum yield of 22% p.a for the two wheeler loan portfolio as a whole.	
iii.	A) Two wheeler loans i) New	Cost of Borrowing (Presently 11.35% p.a) + operating cost(presently 10%p.a) + up to 7% towards risk premium (Maximum of 28% p.a)	Approach to risk gradation • Credit score of the borrower • Brand of vehicle • Percentage of exposure on the On the Road Price of the vehicle. • Tenure of loan • Location

	ii) Used two wheeler	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 8% towards risk premium (Maximum of 29% p.a)	• Credit score of the borrower • Brand of vehicle • Percentage of exposure on the On the Road Price of the vehicle. • Tenure of loan • Age of vehicle • Location
iv	C) Other vehicles i) New	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 3% towards risk premium (Maximum of 24% p.a)	Approach to risk gradation • Credit score of the borrower • Brand of vehicle • Percentage of exposure on the On the Road Price of the vehicle. • Tenure of loan • location
	ii) Used	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 5% towards risk premium (Maximum of 26% p.a)	• Credit score of the borrower • Brand of vehicle • Percentage of exposure on the On the Road Price of the vehicle. • Tenure of loan • Age of vehicle • Location
v.	SME Loan-Secured by immoveable property	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 3% towards risk premium (Maximum of 24% p.a)	Approach to Risk gradation • Credit score of the borrower • Vintage of the business • Value of primary security • Value of Collateral property and LTV. • Track record of previous accounts with the Company
vi.	SME Loan-Unsecured (known as Business Loan) Including Short Term Business Loan	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 7% towards risk premium (Maximum of 28% p.a)	Approach to Risk gradation • Credit score of the borrower • Vintage of the business • Track record of previous accounts with the Company
vii.	Microfinance	Cost of Borrowing (Presently 11.35% p.a) + operating cost	Approach to Risk gradation • Credit score of the borrower • Vintage of the business/

		(presently 10%p.a) + up to 5% towards risk premium (Maximum of 26% p.a)	vocation or other lively hood earning activity • Track record of previous accounts with the Company
viii.	Consumer Durable loan	Cost of Borrowing (Presently 11.35% p.a) + operating cost (presently 10%p.a) + up to 8% towards risk premium (Maximum interest rate shall not exceed 29% p.a)	Approach to risk gradation • Credit score of the borrower • Track record of previous accounts with the Company • Product financed • Location • Tenure of loan
ix.	Trade Advance (Inventoryfunding) to dealerships	The repayment of the loan shall be by referral of loans to retail borrowers from the dealerships within the period as per the terms of the loan not exceeding 6 months from the date of sanction. In case they are unable to refer retail borrowers to the Company, interest will be charged ranging between 15% p.a to 20% p.a	
X	Other loans	In case of any other loan for which interest rate is not provided for here in and is secured on any asset, the interest rate as mentioned in clause (v) and in case of unsecured loan clause (vi) may be applied	

SCHEDUL-II- OTHER CHARGES

Sl. No.	Nature of Charge	Charges	Remarks
1	Processing Charge	Between 0.5% and 3% of loan amount (Minimum of Rs.500)	The credit policy devised from time to time may specify the applicability of service charge.
2	Insurance Charge	Not exceeding 0.5% of the loan for actual loan days subject to a minimum recovery of 15 days	Applicable for gold loan only- It is meant for defraying the insurance cost on gold inventory.
3	Gold appraisal charge	0.01% of the loan amount- Minimum of Rs.20/per	Applicable for gold loan only for meeting the gold appraisal

		pledge.	related cost
4	Cheque / NACH / Electronic clearing bouncing charge	Rs.500/- for the first instance and can be increased up to Rs.1000/- for subsequent instances.	In case of repetitive instances of dishonour of cheque/ electronic clearing the company may charge a higher amount within the limit.
5	Instalment pick up charge	Rs.500/- per pick up of instalment from the place of the borrower maximum of Rs.1000/-based on distance or the number of instances	
6	Pre-closure charge	Up to 3% of the principal loan outstanding.	
7	Notice charge	Minimum Rs.30 per notice not exceeding Rs.100.	
8	Advertisement charge	At actuals if advertisement is done for a customer for any reason or Rs.200/- in case of auction announcement of a group of customers.	The cost of advertisement will be debited to the individual borrower(s) and recovered from them.
9	Penal charge on default of loan repayment	1. @3% per month of the instalment in default from the date of default till the date of actual payment in case of loans repayable in equated instalments. 2. In case of gold loan and bullet repayment loan, up to 3% per month of the loan and interest outstanding from the date of default to till the date of repayment.	i.The penal charges will be effective on all new loans sanctioned after the approval of this policy. In respect of existing loans on the date of this policy, the changes will be reflected on its review/ renewal or by 30th June 2024. ii.The applicable charges shall be communicated to the borrowers in the loan agreement.
10	Recovery of legal expenses	Wherever the Company incurs any expense in connection with the recovery of loan through Court/ Arbitral tribunals, all such expenses at actual will be debited to the borrower's account.	

In addition to the penal and other charges the company may collect the applicable taxes on such charges also from the borrowers.

IV. Implementation and Delegation of powers

The policy shall be implemented through appropriate internal guidelines, circular and product policies duly approved by the Managing Director. He may for administrative convenience fix up limits and delegate powers with respect to the exercise of discretionary powers covered under this policy including matters reserved for him, provided that the delegation is exercised at all times jointly by at least two officers..

V. Effective date

This policy shall be effective from the date on which it is approved by the board unless a separate date is specified by the board. Any circular issued under this policy shall have effect from the date of its publication unless an effective date is specified in the circular.

VI. Review of policy and severability

This policy or any part thereof can be amended by the board of directors at any time by a resolution passed by it at its meeting or by means of circulation. If any part of the policy is declared non maintainable by a competent court of law or any regulatory authority, the remaining portions will continue to be binding and effective. Any action taken or omitted to be taken in good faith shall be binding on the company and the contracting parties with whom the company has entered into a loan transaction.

VII. Ratification of actions taken

It is hereby declared that the interest rate models adopted by the company and of other charges levied under the terms of individual loan contract or collected under any previous policy or prior to the approval of this policy is here by ratified and those rates shall remain in force till the closure of those loan accounts as per the terms.

VIII. Language used

Language used in this policy in the singular form is deemed to include its plural form as well and *vice versa.* Similarly expressions in the masculine character also are deemed to include its feminine equivalents as well and *vice versa.*

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