



## **INTEREST RATE FIXATION POLICY**

Interest Rate Fixation Policy has been amended and duly approved by the Board of Directors in the Board Meeting held on 19.04.2021 at the Registered Office of the Company in Thrissur.

### **POLICY ON INTEREST RATE FIXATION**

In order to fix the Interest Rate in consideration of the cost factors set out hereunder, the Board or the Committee approved by the Board 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:**

1. Basic Interest Rate
2. Risk Interest Rate
3. Penal Interest Rate.

#### **1. 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:

##### 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 payable on Secured Non-Convertible Debentures, Loans from Banks and other incidental charges thereto.

##### Overhead Cost:

This represents the Employee cost to the Company and other operating & miscellaneous overheads.

##### Return on Capital Employed:

After considering the above cost factors, the Board shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the shareholders' capital employed in the business. Thus, the basic interest rate for the gold loan schemes shall be determined by considering the cost of working capital, overhead cost and fair return on capital employed.

## **2. 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 and the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. 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.

## **3. PENAL INTEREST RATE**

The loan agreement shall contain the rate of interest due, additional interest for default in interest payment, and the rate of interest for payment of overdue interest for more than loan tenure.

### **FAIR PRACTICE**

A copy of loan agreement containing terms and conditions will be handed over to the customer at the time of granting the loan.