GEO VPL FINANCE LIMITED

Interest Rate Policy

GEO VPL FINANCE LTD.
Thoppumpady
Pin-632005

GEO VPL FINANCE LIMITED
INTEREST RATE POLICY

1) INTRODUCTION:

The Company has been following certain procedures and practices in the matter of fixing interest rates on loans (assets) and NCDs/Subordinated Bonds (liabilities). Interest rates are not controlled by the Reserve Bank of India. However, RBI has directed NBFCs to have a documented Interest Rate Policy / Model approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs. The specific points referred to in the RBI circular are,

i. Charging of excessive interest rates by NBFCs.
ii. The need for adoption of an interest rate model along with approach for gradations of risk & rationale for charging differential rates.
iii. Disclosure of rates of interest rates, changes thereof and publicity thereto.
iv. Adoption of annualized rates of interest while dealing with customers.

II) OBJECTIVES

The main objectives of the interest rate policy are to:

I. Ensure that interest rates are determined in a manner as to ensure long term sustainability of business by taking into account the interests of all stakeholders,
II. Develop and adopt a suitable model for calculation of a reference rate,
III. Enable fixation of interest rates which are reasonable: both actual and perceived.
IV. Ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices.
V. Charge differential rates of interest linked to the risk factors as applicable.
VI. Facilitate transition to income recognition norms that may be stipulated by RBI in future and adoption of best practices.

III) DETAILS OF POLICY

A) Methodology for calculation of interest on loan accounts

The main spirit underlying the methodology is to project a transparent and fair approach to the customers and also be in readiness to adopt the practices now in vogue amongst commercial banks keeping in view the peculiarities of the gold loan business.

i. On the daily balances

Interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate. Thus if the applicable rate of interest is R% the interest amount for each day would be - R X Amount outstanding/ 36500

ii.Minimum period for which interest chargeable:

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The minimum period for which interest is payable by the borrower shall not exceed 1day only. Interest payable / receivable shall be calculated on the actual daily outstanding balance.

iii.Basis - number of days per year:

Interest shall be calculated based on 365 days a year. Dates of disbursement and closure of account shall both be included for computation of interest.

iv. Compounding:

The Company is not charging compound interest.

v.Fixed rate Floating rate

All loans shall be granted at fixed rate only.

B) Risk Based Gradation of Interest Rates

i. 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.
ii. 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,
iii. 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.

C) Ceiling Interest Rate on Loans

i. Keeping in view the regulatory (RBI) expectations from NBFCs and also the Fair Practices Code the maximum interest rate chargeable shall be fixed at 30 % pa across all states / regions excluding compounding effect where applicable under any schemes. The minimum interest rate fixed as per the current scenario is 12% pa.
ii. The above mentioned ceiling shall be reviewed periodically as and when required, by the Board of Directors keeping in view regulatory guidelines / directives, intensity of competition in the market, net interest margin target, market rates etc.

D) Penal Charges

The Company is charging penal charges for selected schemes when it is overdue above 90 days.

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E) Due date for servicing interest

Interest will be calculated from the date of disbursement and shall be charged for the day of closure of the account also as per current practice. The due date for payment of interest shall run from the date of disbursement,

F) Structured Products

Products offered and features thereof shall be straight forward, transparent and simple to understand so as to comply with the letter and spirit of RBI guidelines. Structured products, when introduced, should comply with the basic features of the Interest Rate policy and the FPC. Features of such products, especially the differential features, should be clearly explained to and understood by the prospective borrower before sanction as a matter of fair practice. Operational personnel should be well equipped in this regard.

G) Base Rate and Net Interest Margin

i. In order to arrive at a proper basis for arriving at the cost of borrowings / funds / resources a suitably calculated 'base rate' shall be developed keeping in the weighted average cost of borrowings, interest paid on liability products (NCDs / Subordinated Bonds) and return on equity capital.
ii. The base rate shall be calculated periodically.
iii. The Net Interest Margin shall be calculated over the 'base rate' so calculated to arrive at the lending rate.
iv. The Net Interest Margin shall be capped at 10% over the 'base rate'.
v. Lending at or below the 'base rate' shall be done only for short term promotion of business either for a specific loan scheme or specific branch(es) or for lending to poor downtrodden sections.
vi. Lending at or below the 'base rate' shall not exceed 10% of the total loan portfolio.
vii. Lending at below the ['base rate' plus operational expenses] shall not exceed 15% of the total loan portfolio.

H) Asset Liability Management Committee

i. Review of interest rates shall be periodically taken up by the ALCO within the overall stipulations of the Interest Rate Policy approved by the Board of Directors.
ii. The committee shall consist of the following members.

1. Mr. Pradeesh Lawrence, Managing Director
2. Mrs.Julie Pradeesh, Director
3. Mr.George Shan, Chief Operating Officer (COO)
4. Chief Financial Officer (CFO)
5. Company Secretary (CS)

Review

This policy shall be reviewed annually or earlier if required by regulatory changes.

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For Geo VPL Finance Limited

Pradeesh Lawrence
Managing Director
DIN : 00152313