

CHEMMANUR CREDITS AND INVESTMENTS LIMITED
POLICY ON INTEREST RATE FIXATION

Interest rates:

While fixing interest rates on Gold Loan Schemes, the Board of Directors of the company or a Committee drawing power from the Board of Directors shall be governed by the following principles. 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.

The interest rates on Gold Loan shall always be expressed in simple rates. Interest charged under various Gold Loan Schemes shall have the following components:

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

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:

1. 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, Interest on Bank Borrowings and other incidental charges thereto.

2. Overhead Cost

This represents the Employee cost to the Company and other operating & miscellaneous overheads including all fixed and variable expenses, processing fee, intermediation fee and all incidental expenses.

3. Return on Capital Employed

After considering the above cost factors, the Board/committee shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owners capital employed in the business.

Thus the basic interest rate will be fixed as a mark up on the current cost of funds. The current cost of funds for this purpose means the cost of borrowing of the relevant month including the incremental cost. if any, for borrowing and the overhead costs and a fair return on capital employed. For the purpose of market penetration and taking into account competition in the market, the basic interest rate in certain schemes will be fixed at rates with low mark up on the cost of funds with emphasis on regular monthly payment of interest.

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. Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the period of the loan and the defaulted period in payment of interest as the incidence of risk goes up with the passage of time.

Penal Interest Rate

Loans outstanding for more than one year shall be charged penal interest in order to ensure adherence by the borrower to the terms and conditions on loan tenure and also to compensate for the extra effort to be taken on recovery. The Company may introduce gold loan schemes with upfront interest or schemes with minimum amount of interest and a specified lock in maturity period, duly acknowledged by the customer.

Other information

The loan agreement shall contain the rate of interest due, additional interest for default in interest payment, and the rate of penal interest for payment of overdue for more than 365 days.

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

Interest rate structure on loan accounts containing all details like basic rate, additional interest based on risk, penal interest, approach for gradation of risks etc shall be displayed on the web site of the company. Changes in these rates/details will be updated from time to time.
