



# ARNOLD HOLDINGS LIMITED

(Non-Banking Finance Company)

CIN No.: L65993MH1981PLC282783

## Interest Rate Policy

### Preamble:

Reserve Bank of India (RBI) had vide its Circulars DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 and DNBS (PD) C.C. No. 133 /03.10.001/ 2008-09 advised the Boards of Non- Banking Finance Companies (NBFCs) to lay out appropriate internal principles and procedures on determining interest rates, processing and other charges. Keeping in view the RBI's guidelines as cited above, other applicable guidelines as amended from time to time, and the good governance practices, Arnold Holdings Limited (referred to as the Company) have adopted the following internal guidelines, policies, procedures and interest rate model for its lending business.

These internal guidelines, policies, procedures shall be taken cognizance of while determining interest rates and other charges, and any subsequent changes thereto.

### Methodology:

The average yields and the rate of interest under each product is decided from time to time, giving due consideration to the following factors;

- a) The cost of funds on the borrowings, as well as costs incidental to these borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc;
- b) Operating cost of the Company's business and maintaining the stakeholder's expectations for a reasonable, market-competitive rate of return;
- c) Inherent credit and default risk in the Company's business, particularly trends with sub-groups / customer segments of the loan portfolio;
- d) Nature of lending, for example unsecured/secured, and the associated tenure;
- e) Nature and value of securities and collateral offered by customers.
- f) Subventions and subsidies available, if any
- g) Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with the Company or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- h) Industry trends - offerings by competition

### Interest Rate Policy for Lending Business

- a) The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.
- b) The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.
- c) The interest rates offered could be on fixed basis or floating / variable basis and can be charged on a flat or reducing balance method. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- d) Annualized rate of interest would be intimated to the customer.
- e) Besides normal interest, the Company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues. The levy or waiver of these additional or penal interests for different products or facilities would be decided within the limits prescribed under the policy.
- f) The Company shall mention the penal interest in bold in the loan agreement.
- g) The interest rate could range between six to thirty-six percent depending upon the risk profile of the customer and other factors.
- h) The interest re-set period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates
- i) Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy.
- j) Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.
- k) Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed



- l) Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- m) Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company wherever considered necessary. Besides the base charges, the Goods and Service Tax (GST) and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.
- n) The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.
- o) Interest rate models, base lending rate and other charges, and their periodic revisions are made available to the Company's prospective and existing customers through its offices and branches. Prior to entering into an agreement with customers, the Company will provide them with statement of charges and interest and address their queries and questions on the same, to their satisfaction. The Company's loan officers will ensure that charges and rates of interest are explained clearly and transparently to the people who may be interested in its products.
- p) In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the company.
- q) Claims for refund or waiver of such charges/ penal interest / additional interest would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests
- r) The Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned for purposes other than business to individual borrowers with or without co-obligant(s). (RBI DNBR (PD) CC.No.101/03.10.001/2019-20 dated August 2, 2019)

As part of our policy, it is explicitly stated that if the Company approves a loan for a borrower with an annual family income of up to Rs. 3.00 lakh, the Company will ensure strict compliance with the RBI Circular RBI/DOR/2021-22/89 dated March 14, 2022, and any subsequent revisions.

#### **Additional Covenant:**

##### **Prepayment/Foreclosure:**

- a. The NBFC reserves the right to permit prepayment/foreclosure of the Loan Amount, subject to specific conditions and the Borrower's payment of prepayment/foreclosure penalties.
- b. The eligibility for prepayment/foreclosure may vary based on the loan products and tenure. The exact number of minimum installments required before prepayment/foreclosure is allowed will be clearly mentioned in the sanction letter.

##### **Refunds and Waivers:**

- a. Claims for refund, waiver of charges, penal interest, or additional interest will generally not be entertained by the NBFC.
- b. The NBFC holds sole discretion in handling such requests and may choose to accept or reject them accordingly.

##### **Review of Interest Rates:**

- a. Any proposed changes to the NBFC's interest rates applicable to business will be thoroughly reviewed by the Finance and Legal departments.
- b. After careful evaluation, the revised interest rates will be recommended to the CEO for final approval.

#### **Review of Policy**

The policy will be reviewed at yearly intervals or as and when considered necessary by the Board of the Company.

This policy was reviewed and approved by Board of Directors in their meeting held on 19.04.2023.

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