Dhani Loans and Services Limited
(formerly Indiabulls Consumer Finance Limited)

(CIN:U74899DL1994PLC062407)

POLICY ON PROCESSING MODEL OF INTEREST RATE, PROCESSING FEES AND OTHER CHARGES

(Approved by the Board at its meeting held on 25/06/2020)

The policy has been framed to impart transparency as well as to follow best practices in keeping with the guidelines issued by the Reserve Bank of India vide Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and RBI Circular DNBS.PD.CC.NO95/03.05.002/2006-07 dated 24th. May 2007.

Objective

As a good corporate citizen and in deference to the advice of RBI, the Board after thorough deliberation has resolved that a balance has to be struck between the health of the company and the interest rate /other fees to be charged. Under the present circumstances keeping the risk factor, cost of funds, loan administration charges, provisions for loan impairment and reasonable profit for the shareholders the following policy has been devised.

Interest Rate

Interest rates and other charges for each product are dependent on the nature of the product, security and collateral provided repayment mode, geographical locations, expected delinquency and costs for servicing the loans and most importantly prevailing interest rates in the market.

Cost of fund is an important determinant of our interest rate policy. In addition to the Equity Capital, the Company's funding requirements are met from combination of sale of its loans to other lenders such as banks, issuance of commercial paper, term borrowings, cash credit facilities etc. The Company being a non-deposit taking Finance Company does not have access to deposits and in a way exposed to higher interest rate risk than banks or deposit taking NBFCs.

The interest rate policy also takes into account the prevailing regulations and guidelines issued by the regulators from time to time.

Based on the prevailing market conditions and competitive benchmarks new and existing acquisitions will be for following loan types:-

I. **Short Term unsecured commercial loans in the form of Term Loan, CC/OD, Demand & Call loans:**

II. **Secured Commercial loans (including loans to builders for residential/commercial real estate) secured against any collateral tangible security and bill & export/import financing:**

III. **Secured Commercial & individual LAP loans against mortgage of real-estate property:**

IV. Secured Housing Loans against mortgage of own property:

Processing Fee & Pricing Model

Processing charges are the charge which cover the expenses incurred to process any loan & has to be taken upfront from the customer at the time of disbursement to recover the cost. There are always others factors/costs which are involved related to risk which financier has to run during the tenor of the loan.

The rate ceilings prescribed for different category of loans are negotiable subject to the upper ceiling as decided by the Board and/or the ALCO Committee.

Further, during the tenure of the loan, performance of the loan account /periodical updating of KYC documents, continuation legal appraisal and status mortgage other securities needed monitoring for which the company is required to incur charges for processing of those documents. These expenses are also to be factored in the levy of upfront PF from the borrower.

Upfront processing fees should not only cover the direct cost which financier has to incur upfront but also cover the indirect costs & risk involved in a particular deal. At the same time we need to be transparent to customer & ensure similar charges & ROI is charged with customers having similar risk.

To achieve this objective & have a fair pricing model, Company has framed a Risk based rating model policy considering the following factors for deciding the PF & ROI. Deal IRR is the combination of both.

Direct cost:

1) Cost of assessment of project:
2) Cost of ROC search:
3) Cost of Valuation:
4) Cost of Title/legal search:
5) Cost of visiting the project:
6) Credit assessment & underwriter cost
7) Sourcing cost
8) Cost of Business intelligence reports like Save Risk, Probe 42

Indirect cost:

1) Management Risk
2) Leverage Risk & Liquidity Risk
3) Risk of non-creation of security
4) Refinancing Risk
5) Cost of Asset Class
6) Risk of Marketability of underlying security
7) LTV

Penal interest and Legal expenses etc.

(a) In the event of default in repayment of EMI, prescribed penal interest shall be levied on EMI during the period of default in addition to the agreed/negotiated interest within the interest rate ceilings prescribed for different loan products.

(b) The above rate ceilings are not inclusive of legal expenses/ out of pocket expenses, if any incurred by the company for recovery of bad/called-back loans for any reason. All out of

pocket expenses shall be recovered from the borrower over and above the prescribed rate ceilings.

Authorisation

The Board of Directors has authorised ALCO Committee, Whenever ALCO decides any change in the existing Benchmark the new rate is displayed on the website of the Company besides sending information to all borrowers intimating the effective date of change of rate, changes in EMIs and revised interest rates Further actual rate, fee(s) and loan amount may vary based on concession offered and grid approved by risk and product in consultation with Business Head.

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