

## **POLICY ON INTEREST RATE FIXATION**

The Board of Directors of the Company or a Committee drawing power from the Board, while fixing interest rates on Gold Loan Schemes shall be guided by this policy document on Interest Rate Fixation. 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.

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. Last published average borrowing cost at the end of a quarter, will be the basis for this.
2. Overhead Cost  
This represents the Employee cost to the Company and other operating & miscellaneous overheads. Last published general and administration cost to average loan assets at the end of end of a quarter, will be the basis for this.
3. 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 owners capital employed in the business. Minimum margin of 10% shall be the norm for this.

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.

### **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 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.

The full details of method of calculation of risk interest and penal interest shall be mentioned in the Fair Practices Code approved by the Board of Directors and published in Company's Web Site.

### **Other Charges**

In addition to the interest on the loan, the Company may collect the following charges, the quantum of which shall be as decided by the Committee from time to time.

1. Security Charges
2. Processing Charges
3. Service Charges
4. Documentation Charges
5. Notice Charges
6. Charges for lost tokens
7. Any other charges as decided by the Board or the Committee

### **Service Charges**

For loans under normal schemes, nominal Service Charges will be collected whenever a customer avails a gold loan from the Company. However, for special loan schemes like Zero Interest Loan for purchase of consumer durables, a higher amount of service charges shall be collected.

### **Documentation Charges**

For schemes like Overdraft scheme (eg. MOS scheme) where a number of documents have to be executed, Documentation Charges shall be collected. Such charges shall be collected when the facility is availed by a customer for the first time and also at the time of each yearly renewals of the limit.

### **Notice Charges**

To defray the expenses including postage and stationery incurred for issuing notices regarding periodical payment of interest / closure of loan on completion of tenor, Notice Charges (for Ordinary, Registered and Auction Notices) including handling charges shall be collected from customers at the time of closure of loans.

### **Charges for lost tokens**

In the case of Gold Loan tokens reported lost by customers, a nominal charge shall be collected in addition to the cost of the stamp paper for executing the Indemnity for the Lost Token at the time of closure of the loan.

The minimum and maximum of each such charge to be collected shall be as decided by the Committee based on the quantum / degree of service rendered, expenses incurred for printing, stationery, postage etc from time to time.