
INTEREST RATE POLICY
JULY 2018

1. PREFACE

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges.

Keeping in view the RBI's guidelines as cited above, as amended from time to time, and the good governance practices, JM Financial Products Ltd. ("the Company") propose to adopt the following internal guidelines, policies, procedures.

2. APPROACH FOR GRADATION OF RISK

The rate of interest, within the applicable range under each loan product, is assessed on a case specific basis after evaluating various factors, inter-alia, based on the following;

- a) The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc.
- b) The cost of running business, the cost of capital risk weightage and reasonable profit margin expectations of the stake holders, etc.
- c) Inherent credit and default risk in the 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) Security Risk – Marketability / Liquidity / Enforceability and /or underlying cash flows (available from the underlying security) of available security would also be factored in while arriving at the interest rate.
- f) Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential, subventions and subsidies available, if any. The amount of credit risk associated depends on the internal assessment of the credit strength of the customer.
- g) Current market pricing for similar transaction/customer with similar rating profile.
- h) Promoter Groups along with their complete background and history on credit/financial yield, future potential, repayment capacity, cash flows, etc.
- i) And/or any other factors that may be relevant in a particular case, Industry trend and rates offered by the completion.

Above are the indicative bases of charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority/ Credit Committee.

At present the annualized rate of interest to be charged to the customers at the time of sanctioning loans other than IPO loans shall be in the range as mentioned in Annexure – I. In exceptional circumstances, based on the

risk assessment and financing structure, the modality of interest rate may fall outside the indicative range/ may be charge on differential parameters.

3. Other Aspects:

- a) The Company have adopted an interest rate policy by which the interest rate charged for same product and tenure to different customer need not be same and it may vary as per the above defined parameters of gradation of risk and rational.
- b) The Company shall explicitly disclose the applicable annualized rate of interest to the customer in their sanction letter/ welcome letter/ Schedule of Terms or by whatsoever name it is called.
- c) The interest re-set period for floating / variable rate lending would be decided by the relevant Sanctioning Authority/ Credit Committee.
- d) Further, unpaid interest for any period may be compounded monthly or at such interval as may be decided by the Company from time to time.
- e) In additions to the normal interest, the customer may be levied a penal interest over and above the applicable interest rate as decided by the Company from time to time.
- f) The Company shall mention the penal interest in bold in the loan agreement. Penal Interest Rate/ Charges may be levied for reason such as default in repayment, non – submission of financial statements, etc.,
- g) Interest would be charged on a monthly basis, and recovered monthly/ quarterly basis or such other periodicity as may be approved by the Company from time to time as per the relevant product policy of the Company.
- h) Interest rates and the EMI apportionments, if any, towards interest and principal dues would be intimated to the customers at the time of sanction / availing of the loan.
- i) Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- j) Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to the customers in a manner, as per terms of the loan documents.
- k) The Company may also levy commitment fees for making available a line of credit to the customer, on a case to case basis.
- l) 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 and other administrative charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the applicable 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.

- m) Interest rate models, lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers. Prior to entering into an agreement with the customers, the Company provide them with the details of charges and address their queries and questions on the same, if any, to their satisfaction and accordingly agreed terms are captured in final loan agreement. The Company ensure charges and rates of interest are fair and are clearly and transparently explained to the customer and accordingly mutually agreed terms are captured.
- n) 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.
- o) Claims for refund, increase, reduction or waiver of such charges/ penal interest / additional interest would normally not be entertained by the company and it shall be at the sole and absolute discretion of the Company on a case to case basis.

4. APPLICABILITY

This Policy shall be applicable to the Loans and Advances (excluding Inter Corporate Deposits) made by the Company and shall not be applicable to Investments of the Company.

5. REVISIONS

Any revision in this Policy shall be decided by the Asset Liability Management Committee and shall, subsequently, be presented to the Board of Directors of the Company for its approval.

6. DISCLOSURE

Appropriate disclosure regarding the Interest Rate Policy shall be made on the Company website.

Annexure – I

Lending Assets / Sector/Segment	Range of Interest (per annum)
Structured Financing	8 % - 18 %
Real Estate Financing	9 % – 20 %
Retail Financing	7.75 % - 18%
SME Financing	8 %– 18 %

Note: Above are the indicative range of charging interest rate. However, the final risk pricing shall be determined by the relevant Sanctioning Authority/ Sponsorship & Credit Committee.