



# **INTEREST RATE POLICY**

**MARCH 2017**

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### 1. Background and Purpose:

The Reserve Bank of India (RBI) have advised the Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

The Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the Borrower or Customer in the application form and communicated explicitly in the sanction letter.

JM Financial Capital Ltd. (“JMFCL” or “Company”), offers a bouquet of lending products to its clients. To comply with the above regulatory directives, the Company will adopt the following process/model to compute the interest rate to lend to its Borrowers. This interest rate would vary for different classes of Borrowers based on various factors described below.

### 2. Computation of the Interest Rate for Lending

The Borrower will be levied interest rate which would be an aggregation of the Benchmark Prime Lending Rate (“BPLR”) and a Spread except those cases highlighted in paragraph 2.3. The methodology for computing the BPLR and Spread is provided in paragraphs 2.1 and 2.2 below.

The proposed rate of interest, for each Borrower, calculated keeping the above factors in mind shall be mentioned in the Credit Memorandum presented to the Credit Committee / Sanctioning Authority. The Credit Committee / Sanctioning Authority shall approve the type of loan (fixed rate or floating rate), final rate of interest and other terms and conditions. The approved rate of interest may be higher or lower than the interest rate proposed keeping in mind past / present / future business across JM Financial Group entities. While communicating to the Borrower, the rate of interest shall be indicated as annualized rate of interest. Further, Unpaid interest for any month / quarter may be compounded monthly or at such interval as decided by the relevant authority.

Any future revision in the interest rate (as applicable to floating rate loans) pursuant to a revision in the BPLR and / or Spread shall be approved by the Credit Committee and shall become prospectively applicable for all floating rate loans from the effective date of such revision and the same shall be communicated in writing to the Borrower.

## 2.1 Computation of BPLR

The Company would consider the following factors while arriving at the BPLR:

- Borrowing costs of the company, which may vary based on the credit rating of the company, tenor of the borrowing, principal repayment terms and the extent of security, if any, offered by the Company for such borrowing;
- Cost of capital (dividend outgo and coupon rate in the case of Tier II Capital);
- Operating Expenses; and
- Margin, covering Regulatory provisions, if any, Capital Charge and Profit Margin.

Based on the above, the Company's BPLR shall be arrived.

The ALM Committee will periodically review the BPLR subject to at least one review every quarter and may prescribe a change in BPLR at its sole discretion. The Board of the Company in their meeting shall be kept informed about the changes made in BPLR since the previous meeting.

## 2.2 Computation of Spread

The overall Spread for any loan will be an aggregation of the Term Spread and the Credit Spread each of which will generally be computed as follows:

### 2.2.1 Term Spread

While computing the Term Spread, the Company will take the following factors into account:

- General prevailing MIBOR rates, G-Sec rates and Non SLR Bond rates; and
- Term Structure of the Company's Borrowings;

The ALM Committee will approve the reference Term Spread at regular intervals. The actual Term Spread charged for any lending and any future change therein will be approved by the Credit Committee at its sole discretion keeping in mind factors such as the reference Term Spread, quantum of the loan, the then prevailing liquidity conditions in the market, the likely drawdown schedule etc.

### 2.2.2 Credit Spread

Credit Spread would be based on the internal analysis / credit score assigned to the Facility. While arriving at the credit score for the Facility, the Company will, inter-alia, take into account Borrower / Facility grading factors mentioned below:

- Borrower and Borrower Group credentials which include background, nature of business/service, business vintage, financial profile including networth, liquidity, profitability, debt repayment capability etc.;

- Track record of honoring commitments relating to interest/principal servicing and security/margin top ups;
- External credit rating;
- End use of funds;
- Security cover including value and liquidity;
- Market volatility and Risk Associated with the underline security
- Any other criteria specific to the transaction.

The Credit Committee / Sanctioning Authority will periodically review Credit Spread charged on loans and may prescribe a change in Credit Spread at its sole discretion. Any revision in the interest rate pursuant to a change in the Credit Spread shall become applicable to the Borrower from the effective date of such revision and the same shall be communicated in writing to the Borrower.

### **2.3 Non Applicability of BPLR**

The Company will be free to determine the Interest rate on lending without reference to BPLR and regardless of the size in respect of the following types of lending:

- a) Lending secured by any type of Security for e.g. Shares, Debentures, Bonds, Mutual Fund Units etc.
- b) Lending to its employees/directors or employees/directors of JM Financial Group
- c) Unsecured Loan
- d) Personal Loan
- e) Loan against property
- f) IPO Funding
- g) ESOP Funding

However, while determining the interest rate and spread for above categories of loans, the sanctioning authority shall take into consideration the broad principles laid down in this policy.

### **3. Processing Fees / Commitment Fee / Other Charges**

The Company may levy processing fees / other charges on its Borrowers for loans sanctioned on a case to case basis. Generally, this will be upto to 10% p.a. of the sanctioned or disbursed loan amount. Quantum of processing fees / other charges would depend upon the type of collateral, geographical location of the collateral, nature and volume of documentation involved, services required from external agencies during appraisal process etc.

The Company may also levy commitment fees for making available a line of credit to the Borrower, on a case to case basis.

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In cases where the company decides to levy processing fees / commitment fees / other charges, the same should be agreed and accepted by the Borrower whether in Schedule of Terms or any loan document. Processing fee may also be charged at the time of renewal of the facility on a case to case basis.

Processing fees / commitment fees / other charges may be reduced or waived by the Credit Committee / Sanctioning Authority in certain cases based on justification provided by the Borrower.

#### **4. Penal Interest Rate / Charges**

The Borrower will be levied a penal interest rate generally upto 24% p.a. above the current interest rate as may be decided by the Credit Committee, if the Borrower does not service the loan on the due date or as demanded by the Company or for any other reason that the Company might deem fit.

Penal Interest Rate / Charges may be increased, reduced or waived by the Credit Committee / Sanctioning Authority in certain cases based on the information / justification provided by the Borrower.

#### **5. 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.

#### **6. 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.

#### **7. Disclosure**

This Policy will be made available on the website of the Company or published in the newspapers in accordance with the Company's Fair Practices Code and the guidelines of RBI.