

POLICY ON DETERMINATION OF INTEREST RATE

Background:

The Reserve Bank of India (RBI) vide Master Direction DNBR.PD.007/03.10.119/2016-17 (updated from time to time) has directed all NBFCs to make available the rates of interest and approach for gradation of risk on website of the NBFCs.

The Board hereby formulates and adopts the following policy:

1) The interest rate charged to the borrower shall be based on the following factors:

- Tenor of the Loan
- Internal and external cost of funds
- Treasury bill rates and the sovereign yield curve
- Spreads between the sovereign and the AAA corporate bonds
- Prevailing PLR of major commercial banks
- Risk profile of the borrower
- Market scenario relating to credit risk premia / default premia including CDS (Credit Default Swap) spreads
- Internal Cost of doing business
- Interest rate offered by other NBFCs
- Other factors that may be relevant in each case.

2) The risk profile of the borrower shall be evaluated on:

- Management Risk Parameters
- Business Risk Parameters
- Financial Risk Parameters
- Industry Risk Parameters
- Collateral Risk Parameters

This has to be further evaluated on the following factors:

- Nature of industry
- Profitability track record of the company / group for past three years
- Profitability Projections during the tenure of the Ratnaafin loan
- Security cover available
- Profile and market reputation of the borrower / promoter/



Ratnaafin Capital Private Limited

📍 201-202, Shilp Aperia, Near Landmark Hotel, Iscon-Ambli Road, Bodakdev, Ahmedabad - 380052, Gujarat, India
GST No. 24AAJCR2622M 1Z9 | CIN No: U65929GJ2018PTC105279 | RBI COR: B.01.00621

☎ +91 9512011220

✉ info.nbfc@ratnaafin.com

🌐 www.ratnaafin.com

principalshareholder

- Defaults on other lenders & manner in which the company/ group has dealt with the same
- Background of the promoter / principal shareholder
- Other factors that may be relevant in each case.

The rate of interest for same product and tenure availed during the same period by separate customers could vary within a range depending on factors mentioned above.

- 3) The Board shall determine the interest rates chargeable to the borrower after assessment of the above factors.
- 4) In addition to normal interest, the Company may levy penal interest / default interest, processing charges, foreclosure charges, commitment fees, etc. The details of such additional interest and charges will be mentioned in the loan / borrowing documents.
- 5) The Board shall ensure that the borrower is advised of the policy prior to the disbursement.
- 6) This policy shall be subject to review quarterly (monthly if needed)



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