

GOVE FINANCE LIMITED

INTEREST RATE MODEL

RBI Notification:

As per the RBI notification dated January 2, 2009 directing all NBFC's to prepare and post an interest rate model the following model is given:

Method of Calculation Interest Rate Model:

1. Interest Rate (IR) will be arrived at based on the weighted average cost of fund (including all charges), credit risk premium, administrative costs and profit margin associated with borrowers.
2. The lending rate will be arrived by considering addition/ reduction to IR based on tenure of customer relationship, market reputation, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, subventions and subsidies available, deviations permitted, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, nature and value of primary and collateral security, past repayment track record of the customers.
3. The company follows a discrete interest rate model/ policy whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out in point 2 above.
4. The interest rates would be offered on fixed, floating, variable basis. The base IR for the floating rates would be decided on periodic intervals at monthly/ bi monthly / quarterly intervals depending upon market volatility.
5. The interest re-set period would be decided by the company from time to time.
6. The interest would be charged on monthly or quarterly rests.

7. Interest rates would be intimated to the customers at the time of sanction/ availing of the loan and the EMI apportionment towards interest and principal dues would be made available to the customer.
8. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
9. Besides normal interest, the company may levy additional interest for adhoc facilities, penal interest for any delay or default in marketing payments of any dues. These additional or penal interests for different products or facilities would be decided by the respective functional/ product heads.
10. Interest changes would be prospective in effect and intimation of changes of interest or other charges would be communicated to customers in a mode and manner deemed fit.
11. Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, visiting charges for due collection, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charges on assets/ security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided upon by respective product heads in consultation with Operations, Finance and legal.
12. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
13. In case of staggered disbursement, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursements or as may be decided by the company.
14. Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained by the company and it is the sole discretion of the company to deal with such requests if any.
15. Any revision in the Interest Rate would be reviewed at the Annual Plan Meet and recommended to the MD/core committee for approval.

The annualized Interest Rate of the company is 16%.

RISK ASSESSMENT OF THE CUSTOMER

All customers will be evaluated on a set of pre defined parameters and accordingly classified into any of the following categories:

- Low Risk
- Medium Risk
- High Risk – This category of customers will not be actively sourced by the company. Any customer, identified as High Risk, and funded by the company basis exceptional comfort and availability of justifying mitigants. The extent and nature of due diligence will be the highest for this category

LOW RISK

- All salaried profiles
- Small proprietors, partners with clearly identifiable, related and relatively stable source of income since the last 2/3 years as the case maybe
- Standard of living that is consistent with income sources established through both documents and visits to business place
- Face to face customer (unless specifically identified as high or medium risk)
- Customer whose source of income can be easily identified and transactions in whose accounts by and large conform to the known profile (unless specifically identified as high or medium risk)
- Government departments & Government owned companies, regulators and statutory bodies

MEDIUM RISK

- Customers belonging to the restricted profiles as defined in the policy manual from time to time
- Customers with inconsistent incomes year on year.
- Bullion dealers (including sub dealers)
- High Net Worth customers (Customers that have relationship values across various banks/FIs in excess of Rs 10 crs)
- Trusts, Charities, NGOs and other organizations receiving donations – Healthcare Equipment finance provided to hospitals, clinics etc run by such organizations that have been in existence for a long time and are established, reputed set ups will be categorized as low risk. Also NGOs promoted by the United Nations will also be classified as low risk
- Large Companies with close family shareholding or beneficial ownership

HIGH RISK

- Country of origin not established
- Stability of place of residence/office not established
- Firms with “sleeping partners”
- Politically Exposed Persons and related individuals/entities
- Non-Resident customers (Main applicant)
- High Net Worth customers (Customers that have relationship values across various banks/FIs in excess of Rs 20 crs)
- Non face to face customers
- Those with dubious reputation as per public information available

CUSTOMER DATA UPDATION OF KYC DOCUMENTS

The periodicity of updation of KYC documents should be as follows:

- Low Risk customers: Once in every five years
- High Risk and medium risk customers: Once in every one year.

Identity cards from the customers for fulfilling the above should be collected as part of the updation exercise. In all other cases excluding account-based relationship, the Company shall verify identity while carrying out transaction of an amount

Accounts of Natural Persons

The true identity and bonafides of the existing customers and new potential customers opening accounts with the Company and obtaining basic background information would be of paramount importance

- The Company will obtain sufficient identification data to verify
- The identity of customer
- His / her address / location and
- His/ her recent photograph.

The customer identification will be through an introductory reference from an existing customer with a satisfactorily conducted account or a person known to the Company and on the basis of documents provided by the customer or through staff members knowing the potential customer or any other document from the indicative lists given in Annexure 1 for identification and proof of residence.

In addition to the above, the Company must also ask the applicants to give an additional document e.g. a letter from the employer giving the correct address, Bank Statement, credit card statement etc. In case of joint account, applicants who are not closely related to each other would be required to establish their identity and address independently.

In respect of NRI accounts, introduction and authentication/ verification of signatures will be made by a bank/Indian embassy/ High Commissioner/ Consulate/ Notary Public/ Persons known to the Company.

For establishing identity or proof of residence Ration Card will normally not be used as document. However, in the event of non-availability of any other document, Ration Card may also be accepted as proof of residence from Minors/Illiterate persons or house wives etc. who are unable to produce other documents.