



INTEREST RATE AND OTHER CHARGES POLICY

BAROTA FINANCE LIMITED

INTEREST RATE POLICY

PREAMBLE

Reserve Bank of India (RBI) vide is notification dated January 02, 2009 and guidelines on fair practices code for non-banking finance companies dated March 26, 2012 now subsumed in the Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated October 19,2023 as updated from time to time, have directed all the NBFCs should layout appropriate internal principles and procedures in determining interest rates, processing and other charges. Keeping in view the RBI's guidelines as cited above, Barota Finance Limited (BFL) has adopted the following internal guidelines, policies, procedures and interest rate model for its lending business.

INTEREST RATE MODEL

The Interest rate charged by the Company for loans and advances is on Fixed Rate basis. Currently BFL has one benchmark i.e. Base Rate for pricing the loans.

The above mentioned benchmark is calculated based on following factors.

- **Weighted Average cost of borrowing:** The Company borrows funds through term loans from banks and Inter Corporate Deposit from holding Company with both end use specified and/or unspecified which is against pool of receivables. Weighted average cost of borrowing of such funds is taken for bench mark calculation.
- **Cost of Equity-** BFL needs to put some equity portion to run the business and the cost of such equity is taken into consideration.
- **Fund raising cost:** It includes processing fees on term loans, brokerage to source funds etc.
- **ALM mismatch cost:** The Company borrows funds on short term and long term basis. Short terms funds are raised from parent Company and long term funds are raised from banks and parent company for meeting future fund requirement and manage ALM gaps under certain limits imposed by regulator.
- **Operation Cost:** Retail product offered by the Company are sourced by in house teams/DSA/Dealers of holding Company and collections are undertaken through its own resources only. Accordingly, the Company is having large number of employees on its rolls which substantially increases the operating costs. It includes employee expenses including travelling costs, office related fixed and variable costs but excluding depreciation cost.
- **Depreciation:** It represents the estimated reduction in the value of Fixed Assets during the financial year. Company considers estimated reduction in the value of its assets as a cost for calculating interest rate.
- **Risk Premium:** Since the Company specializes in financing tractors, a segment known for higher default risks compared to other vehicle loans, caution is warranted. Tractor loans are primarily taken by individuals reliant on agricultural income, greatly impacted by factors such as deficient rainfall and reduced farm yields. Loan repayments depends on crop patterns, thus necessitating the inclusion of a risk premium in the interest rate to mitigate business-related risks.

Weighted Average Cost of Borrowings (including ALM mismatch cost)	%
➤ Long Term	x
➤ Short Term	x
Total Weighted Average Cost of Borrowings (A)	x
Operational Cost	
i. Manpower Cost	x
ii. Office Related Cost (fixed & variable)	x
iii. Travelling Expenses	x
iv. Other Miscellaneous cost	x

Total Operational cost (i+ii+iii+iv)=B	XX
Risk Premium -C	X
Depreciation- D	X
Total Cost (A+B+C+D)=E	XX
Cost of Equity-F	X
Fixed Bench Mark Rate(E+F)	XX

Approach for gradation of risk:

The Lending Rate will be different for different categories of borrowers. The lending rate will be arrived by considering the following factors as follows:

- Profile of the borrower
- Interest rate risk
- Occupation of the borrower
- Historical performance of similar homogeneous clients
- Repayment track record of the borrower
- Value of collateral security
- Profile of Guarantor if any
- Subvention available
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer Indebtedness (other existing loans)
- Pricing offered by competition and other relevant factors

ANNUALIZED RATE OF INTEREST CHARGED TO OUR CUSTOMER:

BFL provide Loans to farmers for purchase of new & used tractors, harvesters, agricultural implements and other allied-agricultural activities.

The rate of interest for the same product and tenor availed during the same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or combination of above factors.

The rate of interest shall be annualized rates and charged on monthly charges but recovered from Equated installment which may be monthly, structured or purely quarterly/ half yearly.

Product	Annualized Rate Of Interest*
New Tractors	16 % to 24% per annum.
Used Tractors	20% to 24% per annum.

*Note: The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

PRINCIPLES AND PROCEDURES FOR LEVY OF FEES AND CHARGES

In addition to charging interest on the loans, the Company will also levy fees and charges and applicable prevailing taxes thereon. Any revision in these charges would be implemented on prospective basis with due communication to customers.

- **Penal Interest/ Charges-** Besides normal interest the Company may levy additional interest in the form of penal charges for any delay or default in payment of dues by the customer/borrower to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the

contracted rate of Interest and Company has to ensure that it shall subject to RBI Circular No. RBI/2023-24/53DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, as amended from time to time The penal charges charged by the Company on the customer is provided in Annexure-1.

- **Prepayment Penalty/Foreclosure Charges:** The Company allows the prepayment of the loan amount subject to certain conditions and on payment of prepayment penalties/foreclosure charges by the customer. However, BFL shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loans sanctioned to individual borrowers for purpose other than business. The prepayment penalty/foreclosure charges charged from the customer by the Company is provided in Annexure-1.
- **Other Charges & Fees:** BFL may charge Processing fee to cover the cost of sourcing/acquisition, field verification, credit appraisal etc. Other fees/charges such as Valuation fees shall be charged to customers separately. Similarly, other charges such as cheque bouncing charges, prepayment charges, collection charges, collection visit charges, NOC Charges, SOA charges etc shall be levied by the Company from time to time. In addition, GST and other cess on the fees and charges shall be collected at the applicable rates from the customers.

*The illustrative list of various fees and charges on product offered by BFL is provide in **Annexure 1** of this policy.*

Further, with respect to implementation/ levy of fees and charges, the Company shall ensure that:

- A clear and transparent communication is made to the customer about all fees and charges as part of agreement / T&C.
- Any upfront fees and charges that is not communicated in the agreement should not be imposed on the customer for availing the loan product; and
- Any change in contingent / service charges or introduction of new contingent / service charge should be implemented only prospectively except for change on account of regulatory/ statutory changes.

DEVIATION:

There can be a deviation in charges/fees/penalties as specified in the provisions of this policy i.e. waiver of fees/ charges/ penal interest/ foreclosure charges are at the sole discretion of the Company. The authorized person may partly or fully waive these charges, and the decision of the Company is final in this regard.

PERIODICAL REVIEW FRAMEWORK

The Policy is amended and approved by the Board of Directors in its meeting dated 10th April, 2024. Consequent upon any amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

COMMUNICATION OF ASPECTS OF THE POLICY

The company will communicate the effective rate of interest -to customers at the time of sanction / availing of the loan through the acceptable mode of communication.

Interest rate model and schedule of charges (wherever necessary) would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would also be uploaded on the web site of the Company.

Annexure 1 - Illustrative list and Details of various fees and charges

Sr. No	Name of Fees & Charges	Amount based/ rate based	Description
Fees and charges			
1.	Processing Fees	For New Tractor- 2.10%* For Refinance- 2.40%*	Fees charged for processing of a loan. This is deductible from the loan amount at the time of disbursement.
2.	Documentation Charges	₹ 2500/-*	Fees charged in case of financing of new tractors for verification of Documents of the customer
3.	Valuation charges	₹1000/-*	Fees charged for valuation of asset in case of Refinance
4.	Cash Collection charges	₹200/-*	Fees charged for collecting EMI from customer at his/her door step.
5.	Field visit charges	₹250/-* per visit	Fees charged to the customer from 2 nd visit onwards.
6.	Duplicate Re-payment schedule	₹250/-*	Charges for issuance of duplicate re-payment schedule of the loan account of the Customer
7.	Statement of Account Charges	₹750/-*	Charged wherein customer request copies of his records pertaining to his transactions (SOA)
8.	Cheque Bounce Charges	As actual charged by the bank-	Fees charged to the customer for dishonor of negotiable instrument
9.	Loan Cancellation Charges	As actual processing fees charged	Fees charged to the customer to compensate administrative cost in the event of cancellation of loan
10.	Re-issuance/Revalidation of NOC Charges	₹1000/-*	Fees charged for issuing of Duplicate NOC/Revalidation of NOC for removing Hypothecation post loan closure.
11.	Loan Restructuring Charges	3% of outstanding amount*	Charges for Restructuring of loan
12.	Penal Charges	Up to 3% p.m. of the unpaid installment *	Charges for Delay in payment of EMI calculated on unpaid installment without Compounding.
13.	Legal Repossession and incidental charges	At actuals	Amount incurred for repossession of assets of defaulting customers
Foreclosure Charges			
Before 1 year		4%*	Fees charged on principal outstanding as per reducing balance method on the date of repayment
After 1 year		3 %*	

****Charges are inclusive of GST.**