

BEST FINANCE CORPORATION LIMITED

RBI-Reg. No. - N-07-00785

CIN-U65921TZ2009PLC015595

Best Finance Corporation Ltd.,

(CIN-U65921TZ2009PLC015595)

(RBI Licence No.- N-07-00785)

(Interest Rate Policy)

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INTRODUCTION

Best Finance Corporation Limited is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India.

PURPOSE

Keeping in view the good governance and fair practices code prescribed by Reserve Bank of India, the Company decided to adopt the following internal guidelines and procedures in the matter of fixation of interest rate model and the method of levying charges from the customers for its lending business.

POLICY

The Company shall be guided by this policy for determining the interest rates on various Loan Schemes of the Company. As per this policy, rate of interest on various Loan Schemes are fixed taking into account various factors such as cost of funds, overhead costs, fair return on capital employed, market conditions and guidelines of Reserve Bank of India regarding Fair Practices Code.

The maximum ceiling on interest rate applicable to the principal of any loan is 30% per annum.

Interest charged under various Loan Schemes shall have three components viz., Basic Rate, Risk Premium and Additional Interest.

1. Basic Rate

Basic Interest Rate represents the rate chargeable various Loan Schemes irrespective of the risk weight attached to the schemes or the type of scheme. Basic Interest shall be arrived at after considering the following aspects -

i. Cost of Working Capital Funds

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. Major contributing factor to this component includes interest on bank borrowings, other incidental charges thereto and interest payable on Secured Non- Convertible Debentures.

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ii. Overhead Cost

Overhead costs comprises of employee cost, establishment costs such as charges for rent, electricity, water etc., security charges such as engagement of security guards, setting up of burglar alarms and CCTV cameras, insurance premium for insuring the gold held in the custody of the Company etc., marketing expenses etc.

iii. Return on Capital Employed

Fair return on capital is calculated as per industry standards and taking into account the interest of investors of the Company which is a listed one. Market conditions include the rate of interest charged for similar loans by Banks and other NBFCs. Guidelines of Reserve Bank of India from time to time also are strictly followed. The Board shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owners capital employed in the business.

iv. Gradation of Risk

The nature of risk associated with the loan will always have a bearing on the Basic Rate to be arrived at.

Thus the basic interest rate for the loan schemes shall be determined by considering the cost of working capital, overhead cost, Gradation of Risk and fair return on capital employed.

2. Risk Premium

While fixing the risk premium, the Company shall take into consideration, the LTV rate applicable to the loan, the frequency of servicing of the loan by the customer, risk perception of the Company based on geographical location, class of customers, etc. Risk profile of customer including the 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, etc. shall also be considered.

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3. Additional Interest

In order to cover any possible loss due to additional cost of finance on the company due to non-servicing of the loan, by the borrower, the company may charge an additional interest at a maximum rate of 6% per annum on the interest on loans which are not serviced for more than 6 months. The collection of additional interest as stated herein is not covered by the ceiling of maximum of 30% interest rate indicated in as above since it relates to the principal amount of loan. Additional interest will be collected in a transparent manner by incorporating the same in the Pledge Form.

PROCEDURE/METHOD OF COLLECTION OF INTEREST

The rate of interest leviable on each loan account will be communicated to the customer upfront. Accordingly, the rate of interest charged would be specified in the loan sanction letter and loan agreement. Further, whenever notice is issued to the customer for collection of the interest, the rate and amount thereof would be clearly stated in the said notice. The same procedure would be followed in the case of levying additional interest.

The interest being collected is included in the EMI payable by the customer and hence with the payment of each EMI by the customer, the interest applicable will also remain collected.

When an account has turned irregular and the customer makes any payment towards the repayment of his dues to the Company disregarding the amount of EMI, the amount so received would be credited to the loan account in the following order:

- a) Principal
- b) Interest
- c) Additional Interest

REVIEW & AMENDMENT OF THE POLICY

Any change in this Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to review any part of this Policy or the entire Policy at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.