



**PAUL MERCHANTS**

**FINANCE PRIVATE LIMITED**

CIN : U65921CH2010PTC032462 NBFC REGISTRATION NO. N-06.00596

Regd. Office: Ground Floor, SCO 827-828, Sector 22 A, Chandigarh 160022

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# Gold Loan

## Interest Rate Policy

**Paul Merchants Finance (P) Ltd. (PMFPL)**

PML HOUSE, SCO 827-828, Sector 22A, Chandigarh 160022 India



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The Company's Interest Rate Policy of Paul Merchants Finance (P) Ltd has been approved by the Board of Directors of the Company in their meeting held on 11<sup>th</sup> January, 2024 and is governed as per the RBI Guidelines, other applicable statutory regulations and prevailing market practises. In the policy, the Customer is hereafter referred as 'borrower' and Paul Merchants Finance Private Limited, having its registered office at S.C.O. 827-828, Sector 22–A, Chandigarh – 160022 is hereafter referred as 'Lender'

### **Introduction**

The Lender has been following certain procedures and practices in the matter of fixing interest rates on Gold loans/Other Loans including personal and business loan. RBI has vide Circular No. DNBR (PD) CC.No.054/03.10.119/ 2015-16 dated July 1, 2015 and Master Direction – Reserve Bank of India (Non – Banking Financial Company – Scale Based Regulation) Directions, 2023 dated Oct 19, 2023 (as amended from time to time) directed NBFCs to have a documented Interest Rate Policy/Model approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs.

### **Objective**

The main objectives of the interest rate policy are to ensure that interest rates are determined in a manner as to ensure long term sustainability of business by:

1. Taking into account the interests of all stakeholders,
2. Enabling fixation of interest rates which are reasonable: both actual and perceived.
3. Developing and adopting a suitable model for calculation of a reference rate,
4. Charging differential rates of interest linked to the risk factors as applicable.
5. Facilitating transition to income recognition norms that may be stipulated by RBI in future and adoption of best practices.
6. Ensuring that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices and
7. Ensuring compliance with RBI Directions in the matter of fixation of interest rates.

### **Details of Policy**

The Lender shall be guided by this policy for determining the interest rates on various Loan Schemes of the Company including but not restricted to gold loans, personal loans and business loans. It shall also consider the then prevailing market conditions,



risk involved and various rules and regulations prescribed by the Reserve Bank of India and other competent authorities from time to time while fixing the interest rates

1. The minimum period for which interest is payable by the borrower shall not exceed 15 days. Interest payable / receivable shall be calculated on the actual daily outstanding balance. However, if the borrower closes the loan within 15 days from the date of disbursement, then a minimum interest for 15 days shall be payable by the borrower.
2. Interest shall be calculated based according to 360 days in a calendar year. Dates of disbursement and closure of account shall both be included for the purpose of computation of interest.
3. All loans shall be granted at fixed rate only.
4. The maximum ceiling of interest rate applicable to the principal of any type of loan is up to 32% per annum.
5. Interest charged under various Gold Loan Schemes shall have two components viz., Basic Interest Rate and Risk Interest Rate as specified below.

Interest and principal on loan schemes, personal and business loan, are collected either on Equated Monthly Instalments (EMI) basis or as monthly/quarterly instalments. The EMI consists of principal and interest portion and these are bifurcated and accounted when an EMI is received.

### **Basic Interest Rate**

Basic Interest Rate represents the rate chargeable under every Loan Scheme 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:

1. **Cost of Working Capital Funds.**

This component represents the interest and other incidental charges payable by the Lender for servicing the borrowed funds deployed by the Lender in the business of on lending. Major contributing factor to this component includes interest on bank borrowings, other incidental charges.

2. **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, marketing expenses, insurance premium for insuring the gold held in the custody of the Lender etc.



### **3. 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. Market conditions include the rate of interest charged for similar loans by Banks and other NBFCs. The Board shall take into consideration a fair return on capital employed which is to be generated by the company for servicing the capital employed in the business.

Thus the basic interest rate for the loan schemes including gold loans, personal loans and business loans shall be determined by considering the cost of working capital, overhead cost and fair return on capital employed.

### **Risk Premium**

Risk Interest shall be determined by taking into account the degree of risk involved in loans under each loan scheme. While the rate shall be the lowest for the schemes where advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. Further, the lender shall not introduce any additional component to the rate of interest. 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 in the application form and communicated explicitly in the sanction letter shall also be made available on the website of the company.

Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the period of the loan as the incidence of risk goes up with the passage of time. Risks in respect of gold loans includes the fall in price of gold, stolen gold being pledged, possibility of the gold pledged turning out to be spurious or of low purity and delays in settling loans of deceased due to legal issues etc. The interest rate gets reduced depending upon the periodicity of servicing the interest. Interest servicing within 30 days of disbursal is priced lowest compared to 60 days and so on.

Effective Interest rates on gold loans vary depending upon the rebate offered for periodical remittance of the interest under each scheme, the principle being to encourage punctual and regular payment of interest and accordingly, those who service the interest early get better rebate. For example, higher rebate will be offered to those customers who pay interest within 30 days of disbursal as compared to those customers who pay within 60 days, 90 days and so on. The rebate comes down and resultantly the interest rate goes up if interest is not serviced by the customer before prescribed due date like 30/60/90/120/180 days etc. after availing the loan. The rebate is offered to encourage borrowers to service interest regularly within the prescribed slab periods and to avail the benefit of higher rebate and lower competitive interest rates. The rebate is an offer made by the Lender to motivate regular payers and actual availing of the rebate depends upon borrower's timely payment of the interest.



Company shall charge interest as per the terms and conditions of the loan mutually agreed between the borrower and the lender who has signed the pledge form / loan document and accepted the other terms and conditions of the loan. For example if a scheme is offering a rebate of 20% on the interest rate of 32%.p.a., at which the loan is sanctioned, for servicing interest within 30 days, interest @ 12% only will be charged if interest is paid within 30 days from the date of sanction of the loan. However, if the customer does not service interest by 30 days after availing the loan, he will lose the advantage of the higher rebate and accordingly, the rebate rate will move to the next lower slab resulting in a corresponding higher interest rate being charged from the loan origination date and customer has to pay interest accordingly. It is the prerogative of the company to allow any concession based on merits when the interest rate changes, however all the rebate scenarios and resultant rate of interest on annualized basis, will be duly mentioned in the loan document.

#### Additional Charges

Apart from interest on the gold loan, following additional charges are also to be borne by the customer:-

SL. No.	Type of Charges	Applicable Charge
1.	Tenure Expiry Charge	2% (P.A) of Loan amount calculated on the number days after expiry of loan
2.	SMS charges applied at the end the time closure of Loan	Rs.13/-
3.	Loan Closure Charge	Rs.100/-
4.	Convenience Charge at the time of closure of loan	Rs.4.72/-
5.	Notice Charges	Rs.50/-
6.	Processing Fee	0.50% of Loan Amount (applicable in select Schemes)

\*All charges are inclusive of GST



The Rates of Interest and other charges as computed in accordance with the provisions of this Policy as on the date of approval of this policy are given in **Table A**, appended to this Policy. Any change in the same or introduction of any new scheme will be done only with the approval of the Board of Directors.

It is hereby provided that penal charges, if any, shall not be levied in the form of 'penal interest' and will not be added to the rate of interest charged on the loans. There shall be no capitalisation of penal charges i.e., no further interest shall be computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. The above charges along with rate of interest shall be clearly disclosed to the customers in the loan document. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

The lender shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of a sanction letter, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof. The Lender shall keep the acceptance of these terms and conditions by the borrower on its record. The Lender shall mention the penalties charged for late repayment in bold in the loan document.

The Lender shall furnish a copy of the loan document as understood by the borrower along with a copy each of all enclosures quoted in the loan document to all the borrowers at the time of sanction / disbursement of loans.



Table A

Loan Scheme Name	Tenure	Min Loan Amount	Effective annualized ROI after Rebate	Processing Fee	Interest Repayment
SUGHAM LOAN- R	12 Months	Rs.3000	18	0	Monthly
SHUBH LOAN- R	12 Months	Rs.3000	18	0	Quarterly
SUKHAD LOAN- R	12 Months	Rs.3000	24	0	Monthly
Shakti Gold Loan NEW -R	12 Months	Rs.3000	15.5	0	Monthly
PML- EXPRESS- R	12 Months	Rs.3000	14.64	0	Monthly
PFLS 18- R	12 Months	Rs.3000	14.4	0	Monthly
PFLS 9- R	12 Months	Rs.3000	13.56	0	Monthly
PFLS 11- R	12 Months	Rs.3000	12	0	Monthly
SHUBH LOAN PLUS-R	12 Months	Rs.3000	20	0	Quarterly
PFLS SUPER- R	12 Months	Rs.3000	13.2	0	Monthly
PFLS 19 R	12 Months	Rs.3000	11.5	0.50% of Loan amount	Monthly

**Sd/-  
Chairman**