

POLICY ON INTEREST RATE FIXATION

The Board of Directors of the Company or a Committee drawing power from the Board, while fixing interest rates on Gold Loan Schemes shall be guided by this policy document on Interest Rate Fixation. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time.

Interest charged under various Gold Loan Schemes shall have the following components:

1. Basic Interest Rate
2. Risk Interest Rate
3. Penal Interest Rate

Basic Interest Rate

Basic Interest Rate represents the rate chargeable under every Gold 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 Company for servicing the borrowed funds deployed by the Company. Major contributing factor to this component includes interest payable on Secured Non Convertible Debentures, Interest on Bank Borrowings and other incidental charges thereto.
2. Overhead Cost
This represents the Employee cost to the Company and other operating & miscellaneous overheads.
3. Return on Capital Employed
After considering the above cost factors, 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.

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

Risk Interest Rate

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, 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.

Penal Interest Rate

Loans outstanding for more than one year shall be charged penal interest in order to compensate the loss on account of liability exceeding the realizable value of gold given as security.

The full details of method of calculation of risk interest and penal interest shall be mentioned in the Fair Practices Code approved by the Board of Directors and be published in Company's Web Site.
