Approach for Gradation of Risk

Factors affecting interest rates for borrowers
Applicable interest rate for each loan account will vary by taking into consideration multiple factors such as loan amount, type of asset, product type, tenure, profile of the borrower, loan to value ratio, past repayment track record, fixed income to obligation ratio, and basis income eligibility program.

Type of product and Credit score
Home loan will have lower risk profile as compared to loan against property. Similarly, high credit score represents good credit worthiness of customer and repayment capability and hence will be graded lowest in terms of risk.

Type of collateral
Risk grading will also be dependent on the type of collateral mortgaged with the company.

LTV & Debt to income ratio
The LTV Ratio, also known as the loan to value ratio, is the percentage of the loan amount issued to the property's market value. The LTV ratio represents the maximum loan amount offered to the applicant.

Thus, a high LTV ratio will result in high risk to the company.

Company may examine monthly income when determining the interest rate on your loan. The higher your income, the better your loan eligibility. Co-applicant income and other sources of income can be clubbed to arrive at final calculation.

Debt-to-income ratio demonstrates customer capacity to repay new obligations. If EMIs consume a considerable portion of monthly income, it will be classified as a high-risk borrower.

Income eligibility program
Customer acquired under Income program are considered in lowest risk segment, considering we have full view on the customer financial health, basis declaration on the financial by customer, hence highest exposure is proposed under this program with relaxed bureau norms.
Customers acquired under Banking program are capped on the loan amount, considering we do not have full view on the financials. However, TO is derived basis banking transactions and OD/CC utilisation, which acts as a surrogate of income, hence exposure has been capped.
Customers acquired under Gross Margin program are under medium risk segment, since customers financial health is checked basis, the margin declared by the customer. We have capped the exposure, FOIR and LTV under this program
Higher FOIR program can be classified as highest risk segment since customer are given higher loan amount than his financials support. To mitigate the risk, we have capped the exposure amount, LTV and Bureau score with financial caveats like no drop in TO and Cash profit.

Adoption of risk grading
Company shall adopt an internal risk grading methodology for same product and tenor which might differ from customer to customer depending on combination of factors mentioned above.

The annualized rate of interest would be intimated to the customer and same will be reflected in sanction letter and other loan documents.