

Shriram Finance Limited

Interest Rate Policy

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1. Background

Reserve Bank of India had vide its Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('Master Directions') advised NBFCs to adopt an interest rate model taking into account various relevant factors and determine the rate of interest to be charged for loans and advances. Accordingly, Shriram Finance Limited ("SFL" or "Company") has framed the Interest Rate Policy. The Master Directions further advised that the rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower/customer in the application form and communicated explicitly in the sanction letter.

2. Purpose

In line with the Master Directions, this Interest Rate Policy ("Policy") shall define the parameters for determining interest rates for different categories of borrowers.

3. Approach to Gradation of Risk & Interest Rate Model

3.1 Interest Rates

The interest rate charged by the Company for loans and advances is on a fixed rate basis. With reference to the Company's approach for gradations of risk and rationale, the rates of interest for the same product and same tenor availed during the same period by different customers could vary depending upon the combination of various factors such as borrower's profile including age, number of dependents, residential stability, type of employment and length of service, primary and secondary income, vintage and growth in business (if self-employed), nature and type of collateral security, brand/resale value of the vehicle, past repayment track record, past association with SFL, credit score, loan to value etc.

The lending interest rate will be arrived at based on the following:

i. Cost of Borrowing:

The first element in calculation of the interest rate is the cost of borrowing of the Company, which is the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company.

ii. Return on Capital Employed:

The second element is the expected return on capital employed which is to be generated by the Company for servicing the owners' capital employed in the business.

iii. Overhead Costs:

The third element is the overhead/sourcing cost incurred for sourcing and processing the loan application including, but not limited to employee costs, office expenses, insurance premium, if any, marketing expenses etc.

However, the rate arrived based on the aforementioned elements shall be adjusted based on the risk profile of the borrower by factoring in a risk premium, which may be an addition or subtraction from such rate. The manner of computation of risk premium shall be as follows:

Risk premium (estimate of credit losses): shall be determined by taking into account the minimum margin the Company wants to maintain along with degree of risk involved in loan considering various factors like general economic conditions, customer category, customer category servicing costs, repayment capacity, mode of repayment, past repayment history, loan-to-value ratio, tenure of loan, location of the customer, nature of security, etc. The rate shall be the lower for customers perceived as having lower credit risk and higher for the high credit risk category.

The Company shall be charging an annualised interest rate on loans and advances extended to customers. The annualised interest shall be communicated explicitly in the sanction letter as well as the loan agreement. Any revision/change in the interest rate/other charges would be affected prospectively only.

In case of term loans, the interest shall be amortized with the principal and the monthly due shall be repaid by way of installments. The Company may offer an equated monthly instalment or a structured repayment. The Company may alternatively offer a scheme by which the interest needs to be serviced month on month or on quarterly basis and the principal repaid at the end of the tenure. The repayment of both the principal and interest may also be offered on "Bullet Payment"

at the end of the tenure. The interest for the month shall be computed based on the actual number of days in a month and compounded monthly.

The interest rates proposed for different loans and advances extended by the Company to its borrowers, are given in **Annexure 1**. However, in case of co-lending arrangement wherein the cost of acquisition is borne by the co-lending partner, the rate of interest charged on the Company's loan exposure may be lower and rates specific to co-lending have been prescribed under **Annexure 1**. Any deviation up to 3 percent from the above may be approved by a person not below the rank of Zonal Business Head/ Region Head/ State Head. Any deviation in excess of 3 percent shall be approved by the JMD.

Part pre-payment/advance payment: Where a customer remits the dues in advance or where part pre-payments are made, the Company may grant the benefit of interest arising out of early payment, by accepting settlement of the loan account at the contracted IRR.

3.2 Other Charges

The Company may charge processing fees to cover the cost of sourcing/acquisition, field verification, credit appraisal etc. Other fees/charges such as legal fees, valuation fees etc. shall be charged to customers separately. Similarly, other charges such as mandate registration charges, cheque bouncing charges, overdue / penal interest, swapping charges, rescheduling charges, part-disbursement charges, prepayment charges, collection charges, seizing/repossession charges/expenses, statutory charges, auctioning charges, legal expenses etc. shall be levied by the Company from time to time. In addition, applicable GST and other cess on the fees and charges shall be collected at the applicable rates from the customers. All such charges shall be clearly mentioned on the website and the customer may refer to the website for details of charges

Any revision in these charges shall be effected prospectively only and the same shall be communicated to customers. The broad range for charging the above referred fees/ charges/ expenses are indicated in **Annexure 2** of this Policy.

Any deviation in processing fee up to 5 percent from the above may be approved by a person not below the rank of Zonal Business Head/Region Head/ State Head.

3.3 Penal Charges:

Where there is a delay in remittance of instalments, the Company shall charge penal charges at the rate 36 percent per annum without capitalising it, on the installments outstanding. This would be in addition to the interest charged at the contracted rate of interest on the balance outstanding which would include the EMI (including the interest), insurance payments if any, debited to the account, repossession and legal expenses debited at actuals. Further, the levy of penal charges does not prevent the Company from taking any legal action and repossessing the asset by issuing a notice to the borrower.

3.4 Cheque Bouncing Charges/Bank Charges:

The Company may charge a flat amount up to Rs.1000 per instance of cheque/ Automated Clearing House (ACH) / Electronic Clearing System (ECS) bounce for various loan products.

3.5 Foreclosure Charges

Where a customer proposes to foreclose a loan account (in the absence of any lock-in-period), the Company shall levy foreclosure charges as detailed in **Annexure 3**. The Company may also charge an additional 2 percent on the principal outstanding if the loan is proposed to be taken over/closed from borrowed funds. The foreclosure charges may however be varied by a senior executive not below the rank of a State Head/Zonal Business Head/Region Head. The State Head or the Zonal Business Head/Region Head may delegate this power for ease of operations.

3.6 Lock-in period

The Company operates in a competitive environment and to cover the cost of acquisition, restrict foreclosure of the loan account in certain cases as negotiated with the customer at the time of sanction. The Company may restrict foreclosure of a loan by not more than 12 months from the date of first EMI due. The Company at its sole discretion, may sanction the loan with a lock-in period as proposed above.

While the Company does not in the normal course permit foreclosure of the account during the lock-in-period, the Company may on approval of the State Head / Zonal Branch Head (ZBH) / Executive Director/ Joint Managing Director (JMD) /Managing Director (MD), permit the customer to foreclose the loan account during the lock-in-period and in which case, the Company may propose to charge up to 4 percent over and above the applicable rate immediately succeeding the lock-in-period, and on acceptance by the customer, permit waiver of the lock-in period. Approval to

permit foreclosure during lock in period shall be at the sole discretion of the Company as it is a change to the terms of the loan agreement accepted by the Customer.

4. Intimation/ Communication to Borrowers:

The Company shall intimate the borrower the loan amount, annualized rate of interest and method of application thereof at the time of sanction of the loan along with the tenure and terms of repayment. In case of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements.

Requests for waiver of charges/ penal charges / additional interest/ bank charges / foreclosure charges are at the sole discretion of the Company. The authorised person, as specified in the Product-wise Exposure Matrix in the Master Credit Policy, may partly or fully waive these charges, and the decision of the Company is final in this regard.

Note:

In case of LAS/ LAMF products, the waiver of charges if any shall be approved as per the Approval matrix as provided in the LAS policy.

5. Review of the Policy

The Asset Liability Management Committee (ALCO) shall be meeting periodically and reviewing the interest rates based on various factors and situations prevailing at the time of such review, including market volatility and cost of funds. The revised interest rates as reviewed and determined by the ALCO, shall be implemented by the Company, prospectively.

Annexure 1

Lending Rate Range for All Products- Fixed Rates

S.No	Product Name	Core Products		Digital Markets	
		Secured	Unsecured	Secured	Unsecured
1	Commercial Vehicle loan (New)	10 % to 32 %		10 % to 32 %	
2	Commercial Vehicle loan (Used)	10 % to 42 %		10 % to 42 %	
3	Vehicle – non-commercial (New)	10 % to 32%		10 % to 32%	
4	Vehicle- non-commercial (Used)	10 % to 42%		10 % to 42%	
5	Gold loan	10 % to 30 %		10 % to 30 %	
6	Loan against Property (LAP) – Salaried /Professional	10 % to 24 %		10 % to 24 %	
7	Loan Against Securities (LAS)/ Loan against Mutual Funds (LAMF)	11% to 20%		11% to 20%	
8	Working Capital		Up to 42%		
9	Business Loan/SME	10 % to 30 %	12% to 42%	10 % to 30 %	12% to 36%
10	Personal Loan		11% to 42%		11% to 36%
11	Supply Chain Financing	10% to 22%	11% to 36%	10% to 22%	11% to 36%
12	NBFC Lending		11% to 20%		11% to 20%
13	Education Loan		13% to 20%		13% to 20%

- All the rates mentioned are annualized at monthly rests.
- Additional GST and other cess shall be charged as applicable.

Annexure 2- Charges/Fees/Expenses

Type of Charges/Fee/ Expense- Others	Applicable Products	Limits
Auction Charges	All products except Gold Loan	Actuals
	Gold Loan	Upto Rs 3500
Bank charges (per instance of cheque bounce)	All products	Upto Rs 1000
Cancellation of Loan Charges	All products	Charges Collected until cancellation will not be refunded. Pro-rata interest will be charged upto cancellation.
Cheque and NACH Swap charges	All products	Upto Rs 500
Collection charges**	All products	Rs 500
Documentation charges	All products	Upto Rs.3000
DP Charges	Loan against Securities (LAS)/Loan against Mutual Funds (LAMF)	As Applicable
For Transfer of ownership and effecting SFL endorsement, etc. - RTO related	Vehicle Loan	Actuals + Rs.300 for local transactions. Actuals + Rs.500 for outstation transactions.
For Transfer of ownership and effecting SFL endorsement, etc. - Insurance related	Vehicle Loan	Actuals + Rs.300 for local transactions. Actuals + Rs.500 for outstation transactions.
Legal Charges	All products	Actuals
Mandate Rejection Charges	All products	Rs 500 per month from the first month of the due date for the mandate rejected until new mandate is registered.
MODT Registration Charges	Business Loan/SME	Actuals + Rs.1000 for local transactions Actuals + Rs.2000 for outstation transactions
NOC related Charges	All products	Upto Rs. 500
Parking Charges / Yard Rent	Vehicle Loan	Actuals
Postal charges	All products	Actuals
Processing Fee ^^	All products	Upto 5%
Repossession and Incidental charges	Vehicle Loan	Actuals
Statement & Other Document retrieval Charges	All products	Upto Rs. 500
Stamping charges	All products	Actuals
Towing charges	Vehicle Loan	Actuals

Type of Charges/Fee/ Expense- Others	Applicable Products	Limits															
Valuation Charges	Vehicle Loan and Loan against Property (LAP)	Actuals															
Moratorium Charges (On withdrawals with future billing date) If Applicable : - For releasing loan amount after Transfer of ownership and effecting SFL endorsement.	All Products	NIL															
Moratorium Charges (On withdrawals with future billing date) If Applicable : - For releasing loan amount before transfer of ownership in borrower name and / or effecting SFL endorsement.	All Products	<table border="1"> <thead> <tr> <th>Payment</th> <th colspan="2">Rs/ Instrument</th> </tr> <tr> <th>Favoring</th> <th>At SFL Branch</th> <th>Third Party Location</th> </tr> </thead> <tbody> <tr> <td>Financier</td> <td>300*</td> <td>500*</td> </tr> <tr> <td>Borrower as per the loan agreement</td> <td>300*</td> <td>500*</td> </tr> <tr> <td>Third Party</td> <td>1000*</td> <td>2000*</td> </tr> </tbody> </table>	Payment	Rs/ Instrument		Favoring	At SFL Branch	Third Party Location	Financier	300*	500*	Borrower as per the loan agreement	300*	500*	Third Party	1000*	2000*
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**** Collection charges:** The Company may levy collection charge of an amount not exceeding Rs.500/ per visit to the customer's place within the same city/town, for recovery of dues. In case the customer is residing in a far-off location, the cost incurred for collection would be charged at actuals, subject to a minimum of Rs.500/-.

^^ For short term working capital loan, processing fees shall be as below:

Nature of Short term WC loan	Processing Fees
Tyre Loan	As agreed by parties not exceeding 20%

Annexure 3

Foreclosure Charges

S. No	Type of Loan	% on the Principal Outstanding
1.	Two-Wheelers	Upto 4 %
2.	Personal Loans	Upto 4%
3.	Commercial Vehicles	Upto 4%
4.	Business Loans & LAP	<ul style="list-style-type: none"> ● 4% if the account is foreclosed within 12 months ● 3% if the account is foreclosed within 24 months but after 12 months ● 2% if the account is foreclosed after 24 months
5.	Gold Loan	NIL

Alternatively, the Company may offer a lock in period as defined in the policy herein and in which case the foreclosure charges are as below:

- The customer shall not be permitted to foreclose the account within 12 months from the date of first EMI
- Additional 2% if the loan is taken over by another financier

LAS & LAMF

- 2% on the sanctioned amount if the account is foreclosed within 3 months