

Shriram Finance Limited
(Formerly known as Shriram Transport Finance Limited)
Interest Rate Policy
March 2023 V.1

Background

Reserve Bank of India had vide its Master Directions dated September 1, 2016 ((updated as on 29.12.2022), 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. It further advised that 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/customer in the application form and communicated explicitly in the sanction letter.

Purpose

In line with the RBI Directions referred to above, this Interest Rate Policy shall define the parameters for determining interest rates for different categories of borrowers.

Approach to gradation of risk & Interest Rate Model

The Interest rate charged by the Company for loans and advances is on Fixed Rate 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 based on the weighted average cost of funds including all charges, risk premium, other costs such as administrative expenses, profit margin, stability, market information associated with lending activities.

The Company shall be charging annualised interest rate on loans and advances extended to customers. The annualised interest shall be communicated explicitly in the Sanction letter. Any revision/change in the interest rate/other charges would be effected prospectively only.

The interest shall be amortized with the principal and the monthly due shall be repaid by way of instalments. 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 rates proposed for different loans and advances extended by the Company to its borrowers, are given in Annexure 1. Any deviation up to 3% from the above may be approved by a person not below the rank of Zonal Business Head/ Vice President. Any deviation in excess of 3% shall be approved by the JMD.

2. Other Charges

The Company may charge Processing fee 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 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, GST and other cess on the fees and charges shall be collected at the applicable rates from the customers. 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.

Overdue interest: Where there is a delay in remittance of instalments the company shall charge overdue interest @ 36% p.a., monthly rests, on the instalments outstanding from time to time. This does not prevent the company from taking any legal action and repossessing the asset by issuing a notice to the borrower.

Cheque bouncing charges/Bank Charges: The Company may charge a flat amount up to Rs.1000/ per instance of cheque/ACH/ECS bounce for various loan products.

Collection charges: The Company may levy collection charge of an amount not exceeding Rs.500/ per visit to the customer’s place 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/-. Where the officer of the Company from its Regional/Head office visits the delinquent customer, a sum of Rs.500/ or actuals whichever is higher, shall be payable by the customer. Repossession expenses shall be at actuals.

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% 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 Vice President/Zonal Business Head. In such a case, the terms agreed to with the customer shall prevail. The Vice President or the Zonal Business Head may delegate this power for ease of operations.

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 1st EMI due. The company at its sole discretion, may impose the lock-in period as proposed above and consent obtained from the borrower, upfront.

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 Vice President / ZBH/ Executive Director/ Joint Managing Director/Managing Director, 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% 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 executed by the Customer.

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.

Request for waiver of charges/ penal interest / additional interest bank charges / foreclosure

charges are at the sole discretion of the Company. The authorised person may partly or fully waive these charges, and the decision of the Company is final in this regard.

Review

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.

| Lending Rate Range for Vehicle Loan - Fixed Rates | | |
|--|--------------|--------------|
| Products | New | Used |
| Construction Equipment | 10 % to 36 % | 10 % to 42 % |
| Tractor | 10 % to 36% | 10 % to 42% |
| 3-Wheeler | 10 % to 36% | 10 % to 42% |
| Car | 10 % to 36% | 10 % to 42% |
| Heavy Commercial Vehicle | 10 % to 36% | 10 % to 42% |
| Light Commercial Vehicle | 10 % to 36% | 10 % to 42% |
| Mini-Light Commercial | 10 % to 36% | 10 % to 42% |
| MUV | 10 % to 36% | 10 % to 42% |
| 2-Wheeler | 10 % to 36% | 10 % to 42% |

2) Lending Rate Range for Secured Loan - Fixed Rates

| Products | Rates |
|-------------------------|----------------------------|
| Loan Against Property | 10 % to 36 % |
| Business Loan – Secured | 10 % to 42 % |
| Gold Loan | 10 % to 30 % |
| Co- Lending | 11% (minimum yield) to 18% |

| Lending Rate Range for Unsecured Loan - Fixed Rates | |
|---|----------------------------|
| Products | Rates |
| Business loan/ SME | 12% to 42% |
| Working Capital (including insurance loan, tyre loan, refurbishment, etc. | Up to 42% |
| Personal Loan | 12% to 42% |
| Vendor Financing | 11% to 36% |
| Co-lending | 12% (minimum yield) to 21% |

| Lending Rate Range for Digital Secured Loan - Fixed Rates | |
|--|--------------|
| Products | Rates |
| Loan Against Property | 10 % to 42 % |
| Supply Chain Financing | 10% to 16% |
| Co-Lending/ NBFC Lending | 11% to 15% |

| Lending Rate Range for Digital Unsecured Loan - Fixed Rates | |
|--|---|
| Products | Rates |
| Business Loan for Self-employed | 13% to 36% |
| Business Loan - others | 15% to 36% |
| Supply Chain Financing | 13% to 36% (as per SCP policy 10% to 16%) |
| Personal Loan | Up to 42% |

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

Annexure 2

| | | Two wheeler | Personal loan | SME/LAP | CV | Gold loan |
|----|--|---------------|---------------|-------------------|----------------|---------------|
| 1 | Processing fees | Up to 5% | Up to 3% | Up to 3% | Up to 5% | Up to 0.5% |
| 2 | Documentation charges | - | - | - | Up to Rs.1000/ | Up to Rs.100/ |
| 3 | Stamping charges | As applicable | | | | |
| 4 | Bank charges (per instance of cheque bounce) | ₹ 500 | ₹ 500 | ₹1000 | ₹300 | |
| 5 | Foreclosure charges | Up to 4% | Up to 4% | As per Annexure 3 | Up to 3% | |
| 6 | Swap charges | ₹ 500 | ₹ 500 | ₹ 500 | ₹ 500 | - |
| 7 | Collection charges | ₹ 250 | ₹ 200 | ₹ 500 | ₹ 500 | |
| 8 | Postal charges | ₹ 50 | ₹ 50 | ₹ 50 | ₹ 50 | - |
| 9 | Repossession charges | Actuals | - | - | Actuals | - |
| 10 | Parking Charges / Yard Rent | Actuals | | | Actuals | |
| 11 | Auction charges | Actuals | | | Actuals | |
| 12 | Towing charges | Actuals | | | Actuals | |

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

| | |
|------------------------------|--|
| Nature of Short term WC loan | Pro fee |
| Tyre Loan | The Company may charge processing fee or interest as may be agreed to by the parties |

Annexure 3

Foreclosure Charges

Two-Wheelers 4% on the Principal Outstanding

Personal Loans 4% on the Principal Outstanding

Commercial Vehicles 3% on the Principal Outstanding

Business Loans & LAP

- 4% on the Principal outstanding if the account is foreclosed within 12 months
- 3% on the Principal outstanding if the account is foreclosed within 24 months but after 12 months
- 2% on the Principal outstanding if the account is foreclosed after 24 months

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 1st EMI
- 4% on the Principal Outstanding if the account is foreclosed after lock-in-period.
- Additional 2% if the loan is taken over by another financier