Interest Rate Policy

Version 2.1

(Last Amended in the Risk Management Committee of the Board held on 24/10/2023)

I. **Background:**

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26,2012 as amended from time to time has directed all NBFCs to communicate the annualized rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers and make available the rates of interest and the approach for gradation of risks on the website of the companies.

In compliance with the above requirements, TVS Credit Services Limited ('Company') has adopted this Interest Rate Policy ('Policy') broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard, for its lending business. The Risk Management Committee (RMC), officer or executive to whom the powers have been given for fixation of rates of interest on financial facilities shall be guided by this Policy, including in the matter of penal charges, pre-payment charges, processing charges etc.

II. **Financial facilities covered by the Policy**

The Company extends credit facilities to its customers through '**Fixed rate'** loans, through a diverse range of products to cater to the needs of different categories of customers. This Policy shall be applicable to all such financial facilities provided by the Company.

III. **Meaning of Rate of Interest**

Interest rate shall mean the **annualized rate** on the credit facilities charged to the borrower by the Company, based on the periodicity of payments, for example, monthly quarterly, etc. The interest rate shall not include the following *(the exclusion list is indicative in nature and shall not be only limited to the components below):*

1) Processing costs
2) Document charges
3) Stamp duty
4) External Costs
5) Penalties, including late penalties
6) Contingent charges
7) Prepayment charges
8) Third party benefits such as subventions, subsidies etc.

IV. **Roles and Responsibilities**

Board:

The Board shall be responsible for the adoption and oversight of the Policy. The Board may delegate the implementation of the Policy to the Risk Management Committee (RMC) or any other authority as may deem fit.

V. Spread

The rate of interest for loans for various credit facilities and customers shall be arrived at after adjusting for spread by the relevant credit facility. The spread shall consist of product-specific factors and customer-specific factors.

Product-specific spread:

Product-specific spread shall be determined based on the Company's historical experience of the product and the expected losses arising out of it. The Company may also consider factoring in the unexpected losses while arriving at the said spread.

Customer-specific spread:

The spread shall also be assessed on a case-to-case basis with respect to the customer based on an evaluation of the following factors:

- Borrower and Borrower Group credentials which include background, nature of business/ service, business vintage, financial profile including net worth, liquidity, profitability, debt repayment capability, tenor of relationship with the borrower, future potential, etc.;
- Track record, if any, of honoring commitments relating to interest/principal servicing and security/margin top-ups;
- External credit rating – wherever applicable/ available;
- Credit scores (like CIBIL etc.) – wherever applicable/ available
- Internal rating done by the company;
- Security cover including value and liquidity;
- Tenor and loan repayment terms, like monthly, quarterly repayment, moratorium period, step up / down repayment, zero coupon structured loans etc.;
- Any other criteria specific to the transaction.

VI. Fixed interest rate:

In case of fixed interest rates, the spread would be computed based on product specific and customer specific parameters. However, unlike floating interest rates that shall be reset at the prescribed intervals, fixed interest rates shall not be reset and remain fixed.

VII. Disclosures:

The Company shall intimate the borrower, the loan amount and annualised rate of interest (Amort IRR), and where granted through digital lending applications[1], annualised percentage rate (APR), at the time of sanction of the loan along with the tenure and amount of monthly instalment.

[1] as defined under the RBI Guidelines on Digital Lending, as amended from time to time.

VIII. Methodology and Approach for Gradation of Risk:

a) The rate of interest shall be based on the above factors.

b) The decision to give a loan and the interest rate applicable to each loan account is assessed on a case to case basis, based on multiple parameters such as the type of the asset being financed, borrower profile, and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc. Such information is collated based on borrower inputs, credit bureau and field inspection by the company officials.

c) The company charges annualised rate of Interest on monthly reducing balance method and the same has been disclosed in the sanction letter issued to the borrowers.

d) The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

e) Besides interest, other financial charges like processing fees, cheque bouncing charges, foreclosure charges, cheque swapping charges, duplicate repayment schedule and legal, repossession and other related matters would be levied by the company wherever considered necessary. Besides the base charges, goods and services tax would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided upon by respective product heads in consultation with Operations, Finance and legal.

f) Besides normal interest, the company may levy penal interest for any delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the respective functional / product heads.

g) As per FPC guidelines, the company has disclosed the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated explicitly in the sanction letter.

IX. Specific requirements for Microfinance Loans -

The meaning of microfinance loans ('Microfinance Loans') and other terms used hereinafter shall have the same meaning as provided under the Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 ('Microfinance Directions'), as amended from time to time. The provisions provided herein shall be read with the Microfinance terms specified in the credit policy of the Company.

Interest Rate:

The business team shall ensure to intimate the borrower, the loan amount, the rate of interest and any other fees which are applicable for the Microfinance Loan at the time of sanction of the loan along with the tenure, the amount and the due dates.

The business team shall ensure that interest rates and other charges/fees on microfinance loans shall not be usurious. The interest rate shall vary on a case-to-case basis, depending on the borrowers' circumstances and such other factors like cost of funds, margin and risk premium. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective **only prospectively**.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management and/or changes to extraneous factors, mentioned above, which have a say in the setting up of the interest rate. However, the maximum ceiling on the interest rate and all other charges applicable to the Microfinance Loans shall be as specified in the policy on pricing of microfinance loans.

Prepayment Penalty / Late Payment Charges:
There shall be **no prepayment penalty** on Microfinance Loans. Penalty, if any, **for delayed payment** shall be applied on the overdue amount and not on the entire loan amount.

Processing / Documentation and Other Charges:
All processing / documentation and other charges recovered shall be expressly stated in the Loan documents. They may vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

X. Specific requirements for Gold Loans

Computation or application of Interest rates:

a. **For Bullet repayment loans:** Simple interest rate
b. **For EMI repayment loans:** Compounded interest rate
c. Interest rate calculated based on the principal loan amount outstanding

Grace period for payment of dues:
A grace period up to 3 days on due date may be allowed in payment of dues at the discretion of TVSCS, before late fee is applied.

XI. Details of range of Rate of Interest (Fixed IRR) and Processing Fees:

Product	**Rate of interest (Amort IRR)**	**Processing fee range (on loan amount)**
Two Wheeler	Upto 36%	Upto 10%
Used Car	Up to 30%	Upto 10%
Consumer Durable	Upto 29%	Upto 10%
Three Wheeler	13-29%	Upto 5%
Tractor	11-25%	Upto 10%
Used Tractors (including allied products)	14-34%	Upto 10%

Used Commercial Vehicles	Up to 30%	Upto 5%
Business loans	07-36%	Upto 3%
Personal loan & other loans	14-35%	Upto 10%
Microfinance loans	23% to 36% Average Rate: 29.5%	Upto 10%
Gold Loan	10%-36%	Upto 0.25% of the loan amount, subject to a minimum value of INR 50 and a maximum value of INR 1000

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