

Interest Rate Policy

Version 2.5

(Last Amended in the Risk Management Committee of the Board held on 23/01/2025)

Contents

A.	Background.....	3
B.	Objectives of the Policy.....	3
C.	Financial facilities covered by the Policy.....	3
D.	Interest Rate Model	3
E.	Methodology.....	4
E.1.	Benchmark Rate Factors.....	4
E.2.	Factors for calculation of Interest Rate	4
E.3.	Other charges	5
E.4.	Taxes.....	5
F.	Spread	5
F.1.	Product-specific spread:	6
F.2.	Customer-specific spread:	6
G.	Approach for Gradation of Risk.....	6
H.	Meaning of Rate of Interest	7
I.	Roles and Responsibilities	7
J.	Fixed interest rate	7
K.	Disclosures.....	8
K.1.	Disclosure Principles.....	8
K.2.	Policies and Procedures.....	8
L.	Additional /Default Rate and Levying of Foreclosure /Pre- Payment Charges	9
M.	Specific requirements for Microfinance Loans	9
N.	Specific requirements for Gold Loans	10
O.	Review and Oversight.....	10
O.1.	Board Approval:.....	10
O.2.	Risk Management Committee:.....	10
O.3.	Periodicity of Review:	10
O.4.	Communication:	11
O.5.	Amendments:	11
O.6.	Publication.....	11
	Annexure I: Schedule of Interest rate and Processing charges	12

A. Background

TVS Credit Services Ltd. (hereinafter referred to as 'Company') is registered as NBFC with RBI and operates as a Non-Deposit taking Non-Banking Financial Company in terms of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated Oct, 19, 2023 updated as on March 21, 2024.

The RBI SBR Master Directions require the Board of Directors of an NBFC to lay out appropriate internal principles and procedures to determine the interest rates, processing and other charges levied by the NBFC and adopt an interest rate model in this regard.

The interest rate model has to take into account various relevant factors such as cost of funds, margin and risk premium for determining the rate of interest to be charged for loans and advances offered by the NBFC.

In view of the above, the Board has approved and adopted this document as the interest rate policy of TVS Credit Services Ltd.

B. Objectives of the Policy

Objectives of this Interest Rate Policy are to:

- Set out a framework describing the interest rate model adopted by TVS Credit Services Pvt Ltd.
- Provide its borrowers an overview of the method and factors used for calculating the interest rates charged on various financial products of TVS Credit Services Pvt Ltd.
- Adopt a uniform and consistent approach for determining the interest rates charged to different types of borrowers.

C. 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.

D. Interest Rate Model

- TVS Credit Services will be lending to various consumer segments across retail space. Interest rates offered by TVS Credit Services can either be on a fixed basis or floating/variable basis (as applicable) based on the factors like product category, customer segment, competition benchmarking etc. Interest Rate Model and schedule of charges would be uploaded on the website of the Company. Any change in rate and schedule of charges would be updated on Company's website.
- Interest rates will be computed on an annual basis to enable the borrower to be informed of the exact rate being levied by TVS Credit Services but may be charged by the company on a periodic basis as agreed between the borrower and TVS Credit Services in the relevant loan documentation.

- Interest rates are not standardized and may vary within a range based on the type of loan, type of borrower as well as the factors set out in paragraph 5 below. An indicative schedule of interest rates being levied by TVS Credit Finance for various types of lending products offered is detailed in [Annexure I](#)
- TVS Credit Services will not charge excessive interest rates as compared to prevailing market trends and the Risk Management Committee may specify the maximum interest rate to be levied by TVS Credit Services from time to time.

E. Methodology

E.1. Benchmark Rate Factors

The following factors are taken into consideration to arrive at the Benchmark Rate Calculation:

- **Weighted Average cost of borrowing:** The Company borrows funds through term loans, Non-Convertible Debentures and Commercial paper and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for benchmark calculation.
- **ALM mismatch cost:** The Company borrows funds through short term and long-term products and to comply with the guidelines it needs to manage ALM gaps under certain limits imposed by regulator, while taking prepayment into account of the customer.
- **Operating Expenditure:** It includes employee expenses, branch-related fixed and variable costs, operations cost, sales and marketing expenses.
- **Risk Premium:** Base risk premium to cover business-related risks.
- **Base ROA:** Base Return on assets is the minimum return expected by the company on its assets.

E.2. Factors for calculation of Interest Rate

The rate of interest to be levied by TVS Credit Services is considered on a case-to-case basis and is evaluated taking into account various variables such as day count fractions, type of loan, tenor of loan, EMI vs EDI, nature of security and/or collateral (where applicable), market volatility, industry trends, etc.

These factors can be categorized into two broad heads:

E.2.1. Internal Factors

TVS Credit Services based on internal assessments, procedures, principles, methods, etc., such as the following:

- Nature of lending (type and form of loan, frequency of repayment, tenor of loan, secured/unsecured, completely paperless and non-physical model).
- Nature of security/collateral in relation to the loan.
- Internal cost factors (including but not limited to operational costs, overall exposure costs, administrative costs, fixed and variable costs, business costs and margins).
- Risk exposure to cover credit and other risks.
- Borrower risk profile based on the credit assessment undertaken by TVS Credit Services Finance. Risk profile is graded based on the factors detailed in Annexure 2.

- Any other factors considered relevant by the Risk Management Committee from time to time.

E.2.2. External Factors

Calculation of interest rates also depends on various external factors outside the ambit of TVS Credit Services such as the following:

- Market conditions and trends (such as market liquidity, interest rates prevailing in the market, regulatory and statutory changes, changes in capital requirements, credit and cyclical conditions).
- Prevailing and anticipated industry trends such as interest rates offered by competitors.
- Inherent credit and default risk in similar business or category of borrowers, particularly trends with sub-groups/borrower segments of the loan portfolio.
- Any other factors considered relevant by the Risk Management Committee from time to time.

E.3. Other charges

In addition to interest rates, TVS Credit Services may levy certain additional financial charges as it may be necessary in relation to the loan offered by the company to the borrower. These charges will be explicitly communicated to the borrower in writing (physically or electronically). The nature of these charges is as follows:

E.3.1. Loan related charges

Default interest, prepayment/foreclosure charges, disbursement charges, penal charges, commitment fee, exchange rate charges, credit assessment, late payment charges and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

E.3.2. Administrative costs and charges

Charges and costs involving loan processing, service charges, processing fees, documentation charges, borrower care, registration, handling charges or and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

E.4. Taxes

TVS Credit Services will recover all taxes, duties, stamp duty, cess levied upon the charges incurred by TVS Credit Services for rendering services to the borrower in accordance with the applicable Laws and rates.

F. 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.

F.1. 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.

F.2. 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.

G. 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.
- c. The factors which are considered in assessing a customer's risk premium are assessed as follows:
 - Application scorecard output
 - The profile and market reputation of the customer/borrower.
 - Customer segment.
 - Location/Micro Market
 - Past repayment track record of the customer/borrower.
 - Tenure of the relationship with customer/group.
 - Nature and value of primary and secondary collateral / security.
 - Inherent credit & default risk in the products.
 - Regulatory requirements if applicable.
 - Any other factors that may be relevant to the case.Such information is collated based on borrower inputs, credit bureau and field inspection by the company officials.
- d. The company charges an annualised rate of Interest on monthly reducing balance method and the same has been disclosed in the sanction letter issued to the borrowers.

- e. 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.
- f. 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 changes would be with prospective effect. These charges would be decided upon by respective product heads in consultation with Operations, Finance and legal.
- g. Besides normal interest, the company may levy penal charges for any delay or default in making payments of any dues.
- h. As per FPC guidelines, the company has disclosed the rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers in the application form and communicated explicitly in the sanction letter.

H. 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*):

- Processing costs
- Document charges
- Stamp duty
- External Costs
- Penalties, including late penalties.
- Contingent charges
- Prepayment charges
- Third party benefits such as subventions, subsidies etc.

I. 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.

J. Fixed interest rate

In the 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.

K. Disclosures

K.1. Disclosure Principles

- The Company shall inform the borrower in writing (in physical or electronic form), in the vernacular language or a language as understood by the borrower all relevant details in relation to the loan offered by the company including all necessary documentation to be entered into in relation to the loan (i.e., terms and conditions, loan agreements, sanction letters along with all relevant enclosures). The annualized rate of interest shall be disclosed to the customers without any ambiguity; Any change in the interest rate or other charges shall be made prospectively and the same will be adequately disclosed in the loan agreement.
- There shall be appropriate disclosures on the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers in the application form and communicated in the sanction letter.
- The Company shall also endeavor to make terms and conditions in relation to the borrowings available on its website in certain vernacular languages, most understood by its borrowers.
- The Company shall clearly communicate to the borrowers about the possible impact of change in the benchmark interest rate on the loan, leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan.
- The information provided by the Company includes all charges and taxes (ref. Para 5.3 & 5.4 above) proposed to be levied by in accordance with this Interest Rate Policy as well as any other disclosures required to be made under Applicable Laws are set out in the loan documentation of TVS Credit Services Ltd.
- The Company shall provide a Key Facts Statement (KFS) to all prospective borrowers to help them make an informed view before executing the loan contract, as per the standardized format prescribed in the Circular on 'Key Facts Statement (KFS) for Loans & Advances' issued by the RBI dated 15 April 2024 having reference number RBI/2024-25/18 DOR.STR.REC.13/13.03.00/2024-25, as amended from time to time.

K.2. Policies and Procedures

The following other policies are also relevant from disclosures point of view of this Interest Rate Policy:

- **Credit Policy** – The credit policy of TVS Credit Services Ltd. outlines the parameters and processes for credit appraisal, approval, risk guidelines and other credit principles and procedures etc. The Interest Rate Model described in this Interest Rate Policy are based on the pricing philosophies set out under the credit policy.
- **Fair Practices Code** – All relevant disclosures in relation to the Credit policy and Interest Rate Model of the Company and elaboration on Approach for Gradation of Risk, etc. (in this Interest

Rate Policy) are disclosed in the Fair Practices Code of the Company in accordance with the directions of the RBI.

- **Form of Documentation** - The loan documentation of the Company and all related documents (including communications sent to, or received by the borrower) in writing may either be in physical or electronic form in the vernacular language or in a language as understood by the borrower.

L. Additional /Default Rate and Levying of Foreclosure /Pre- Payment Charges

- **Additional/Default Rate:** Loans remaining unpaid on due dates shall be charged penal charges at such uniform across all product portfolio as mentioned in **BOLD** in the respective customer agreements. Any service charges, as applied to the borrower shall be disclosed appropriately to the borrower.
- **Foreclosure/Prepayment Charges:** Any prepayment penalty as charged to the borrower shall be disclosed and be subject to extant instructions. There shall be no foreclosure rate/prepayment penalty charged on floating rate of interest loans sanctioned to the individual borrowers as per the extant regulations.

In compliance with Regulatory Instruction involving, Foreclosure/Prepayment Charges on loan to MSEs, (Micro and Small Enterprises) TVS Credit Services shall not levy foreclosure charges / prepayment penalties on loan/credit facility granted to the Micro and Small Enterprises.

M. 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.

N. 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.

O. Review and Oversight

O.1. Board Approval:

The Board has reviewed, approved and adopted this document as the Interest Rate Policy of the Company. The Board shall be responsible for the administration, interpretation, application and review of this policy.

O.2. Risk Management Committee:

The Risk Management Committee will oversee the implementation of this Interest Rate Policy. The Risk Management Committee will be responsible for monitoring the interest rates charged by the Company as per this Interest Rate Policy and provide necessary updates and recommendations to the Board in this regard.

O.3. Periodicity of Review:

This Interest Rate Policy will be reviewed by the Board and/or the Risk Management Committee on periodical basis as may be deemed appropriate by the Board and/or the Risk Management Committee

to ensure compliance with any modification, amendment or supplementation to the RBI SBR Master Directions, the RBI Act and the rules made thereunder.

O.4. Communication:

- As per the RBI SBR Master Directions, an NBFC has to disclose to its borrower the rate of interest, the approach for gradations of risk and rationale for charging different interest rates to different categories of borrowers.
- Accordingly, the Company will inform the borrower in writing (physically or electronically) about the rate of interest and other charges contemplated to be charged by TVS Credit Services (including any amendments thereof) before and at the time of availing and sanctioning the loan by way of the loan documentation of the Company, this Interest Rate Policy and/or any other mode agreed between the borrower and the Company.
- The documentation adopted by the Company (as indicated in paragraph 8.9 of this Interest Rate Policy allows the borrower to make an informed decision with respect to the loan. The borrower's acceptance of such terms and conditions (including any amendments thereof) will be taken and recorded by the Company in writing (by physical or electronic means).

O.5. Amendments:

- Any amendments to this Interest Rate Policy will be reviewed and approved by the Board. Provisions of this Interest Rate Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time.
- In case any provisions of this Interest Rate Policy are inconsistent with Applicable Laws (including any subsequent amendment(s), clarification(s), circular(s), etc.) then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Interest Rate Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

O.6. Publication

This Interest Rate Policy will be displayed on the Company website in compliance with the directions of the RBI and will be updated periodically to include any changes/amendments in the rate of interest or otherwise.

Annexure I: Schedule of Interest rate and Processing charges

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 (including Loan Against Property for Business Purpose) & Loan Against Property for Individuals	07-36%	Upto 3%
Personal loan & other loans	14-35%	Upto 10%
Microfinance loans	23% to 36% Average Rate: 28.11%	Upto 10%
Gold Loan	10%-30%	Upto 0.25% of the loan amount, subject to a minimum value of INR 50 and a maximum value of INR 1000