

# Bajaj Auto Credit Limited

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ORGANISATION AREA	DOCUMENT TYPE	VERSION
FINANCE & PMG	INTEREST RATE POLICY	VERSION 1.0

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## 1. Background

As per Reserve Bank of India guidelines, Board of each NBFC shall approve an Interest rate model for the Company, considering relevant factors such as cost of funds, margin, and risk premium etc and determine the rate of interest to be charged for loans and advances. Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them.

## 2. Objective of the policy

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

## 3. Review of Policy

The Policy shall be reviewed once a year or in between if required due to changes required in the model, for example any addition/deletion of a particular component forming part of benchmark calculation.

## 4. Organisation Structure

### 4.1. Board of Directors

To ensure effective implementation of the Interest Rate Policy, the Board may delegate certain operational aspects to ALCO or any other Committee, as deemed fit.

### 4.2. Asset Liability Committee

Business can have their internal pricing policies under the overall framework of board approved interest rate policy for company for deciding the spreads to arrive at final rate. Any changes to business level internal pricing policies (if any) would need to be approved by any three of the officers mentioned below.

Sr No.	Designation
1	Managing Director and CEO
2	Chief Financial Officer
3	Chief Risk Officer
4	Treasurer
5	Head Compliance
6	Respective Business Head/Group Business head

## **5. Interest rate Model**

BACL (Company) lends money to its customers through Fixed rate loan. The Company lends moneys through various loan products to finance customers for their purchase of all types of Two-Wheeler & Commercial vehicle.

Few broad categories of customer segments are as follows.

1. Two-Wheeler loans;
2. Commercial Vehicle loans;
3. Top up loans to the above customers for insurance, refurbishment of vehicles financed under 1 and 2 above during loan tenure, permit costs, etc.
4. Used Two & Commercial vehicle loans.

Currently the Company intends to lend moneys at a fixed rate over the loan tenor.

Fixed rate loans are not linked to benchmark but are decided based on their COF (allocated through Fund transfer pricing), Operational expenditure, Business related risks and desired ROE/ROA. Factors affecting calculation of spreads to arrive at final rate are mentioned below.

## **6. Principles and procedures for charging spreads to calculate final rate**

The rate of interest for loans for various business segments and various schemes thereunder is arrived after adjusting for spread by the relevant business segment. Factors taken into account by businesses for calculating spreads are as follows:

- Interest rate risk.
- Credit and default risk in the related business segment / customer risk segment.
- Historical performance of similar homogeneous clients
- Profile of the borrower.
- Industry segment.
- Repayment track record of the borrower.
- Nature and value of collateral security.
- Risk offsets available eg. Subvention
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer Indebtness (other existing loans)

The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.

## **7. Other Charges**

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, reschedulement charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would

be from prospective effect. These charges would be decided upon by respective business / product heads in consultation with Operations, Finance and Legal Heads.

#### **8. Communication Framework**

Interest rates would be intimated to the customers at the time of sanction / availing of the loan.

Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company.

Changes in the rates and charges for existing customers would also be communicated to them through either of mail, letter, SMS.