**Greaves Finance Limited**

**Interest Rate Policy**

**POLICY ON INTEREST RATE MODEL**

**Brief Note on BASE RATE Calculation Process**

Reserve Bank of India vide its Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 has advised the Board of Directors of every applicable Non-Banking Financial Company (NBFC) to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

Any Financial Services organization carrying out lending activity will be required to maintain a threshold rate below which it would be financially unviable to lend to customers. Reserve Bank of India (RBI), has provided Guidelines on Calculation and applicability of Base Rate for the Banks. Although these guidelines do not apply to a NBFC, we have taken them as the base in formulating the above Policy; as Base Rate regime is expected to bring in greater transparency in lending rates of lending institutions and it would enable better understanding of impact of monetary policy.

In compliance with the requirements of the RBI Master Direction mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company’s approach of risk gradation in this regard for its lending business.

**Definition**

Interest Rate, as approved by the Board of Directors from time to time, may differ from product to product and will be the minimum lending rate below which the organization may not lend to customers.

**Calculation of Base Rate**

Base rate will be calculated as per the methodology prescribed in the Annexure enclosed below. Any modifications to the calculation methodology will necessarily have to be approved by the Borrowing

Committee.

**Application of Base Rate**

All categories of loans henceforth would be priced with reference to their respective Base Rate only.

**Review of Base Rate**

As a normal policy the Board of Directors will review the Base Rate at least once in a quarter. However, in case the Board of Directors thinks fit, it may review the Base Rate at a shorter interval and suggest any modifications to the same.

**Gradation of Risk**

The Company shall prepare a profile for the customer during the credit appraisal based on risk categorization as mentioned in the KYC Policy. The risk premium will be decided by the Company on a case to case basis based inter alia on the inherent nature of the product, market reputation, interest, default risk in the related business segment, historical performance of similar customers, tenure of relationship with the customer, repayment track record of the customer in case of existing customer, future potential, nature and value of primary and collateral security and others factors as applicable.

Accordingly, the product wise present rate of interest charged to our customers is in the range of:

|  |  |
| --- | --- |
| **Products** | **Rate of Interest (p.a.)** |
| Two Wheeler Loans | 12.99% to 14.25% |
| E-Rikshaw Loans | 14.00% to 16.00% |

**Notes**

Note 1 – Funding from Parent Company Greaves Cotton Ltd (through Equity and Borrowings) will be the only source of funding avenue available to the company in its first few years of operation. The existing Term Loan rates have been taken as benchmark for any borrowing from the parent.

Note 2 - We have assigned a notional cost (IRR) of 12% p.a., on the capital provided by the shareholders, while arriving at the Base Rate, although the Spread earned will encompass the return on equity.

Note 3 - Avg Opex to Assets ratio, will be quite high in the initial 2-3 years of operation, post which it will average between 8% to 10%. For the purpose of calculation of Base rate we have considered the long term Avg Opex to Assets ratio, in order to avoid any anomalies in the calculation.

Note 4 – While there will be two sources of Fee Income, viz; a) Processing Fees and b) Income generated on account of Cheque Bounce by the customers, the Processing Fee will be completely passed on to the Greaves Finance Loan Origination partner WheelsEMI and hence no Fee Income is considered in the calculation.