

Interest Rate Directive

2024-10-24

Confidential

Finance, Head Finance & Operations

100-4

Version 6

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Orientation

This is the fifth issue of this Interest Rate Directive. The previous Interest Rate Directive has been superseded and is replaced by this Directive.

Purpose

The Interest Rate directive is intended to determine the interest rates on various Loan / Lease Schemes of the Company. It shall also consider the then prevailing market conditions and various rules and regulations prescribed by the Reserve Bank of India or such other competent authority from time to time while fixing the interest rates.

Responsibility

It is the responsibility of the employees to read, understand, and comply with the directives outlined. The Finance Department is responsible for updating this directive as needed.

Interest Rate Consideration

Interest charged by the Company on various loan products shall be determined considering the below mentioned parameters

Basic Rate

Basic Rate shall be arrived at after considering the following aspects:

- **Cost of Funds:** This includes the interest and other related charges payable by the Company on the borrowed funds.
- **Operating Cost:** This includes the Employee cost, Operating expenses, Selling Expenses and other administrative overheads of the company.
- **Gradation of Risk:** The nature of risk associated with the loan will always have a bearing on the Basic Rate to be arrived at.
- **Return on Equity:** After meeting all the above, a reasonable return on equity is to be ensured in arriving at the base rate.

Risk Premium

While fixing the risk premium, the company shall take into consideration, the LTV rate applicable to the loan, the frequency of servicing of the loan by the customer, risk perception of the company based on geographical location, class of customers etc.

In order to cover any possible loss due to additional cost of finance on the company due to non-servicing of the loan, by the borrower, the company may levy penal charge at a maximum rate of 2.5 % per month on the outstanding instalment from due date till the date of repayment.

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Additionally, loan processing charges, legal fees, liquidated damage charges, commitment fees, prepayment/foreclosure charges etc. would be levied wherever considered necessary as decided by the Company.

Based on the above, below is our Lending Rates per annum for various products:

Asset type	Loan	Lease
Volvo Trucks & Buses	6-15%	8-20%
Volvo Construction Equipment	6-15%	8-20%
Eicher Trucks	6-15%	10-21%

The Lending Rates will differ based on the credit worthiness of the obligor, tenure of financing, economic life of asset being financed etc. In certain cases, interest rate may fall outside the indicated range, subject to necessary approval from the authority holders which is dependent on the vintage & size of the obligor and the market competitiveness.

Periodic review

In order to ensure that the document is up-to-date, this Guideline shall undergo periodic review. The frequency of the reviews shall be at least once every year or earlier upon any relevant change in legislation and the function responsible for carrying out the reviews is Head – Finance. Any change in this Policy shall be approved by Board.

Approval Matrix

Any decision under this Policy shall be approved jointly by Managing Director, VFS India and Head Finance, VFS India. All policies are to be approved by the Board.

Supporting documents

Nil

Change Log

Version	Changes	Approval Date
6	Annual review. No change	24 Oct 24
5	Annual review. Updating lending rate range	11 Dec 23
4	Annual review. No change	14 Nov 22
3	Annual review. No change	8 May 22
2	Annual review. No change	21 Feb 21
1	Annual review. No change	1 Feb 16