



POLICY ON INTEREST RATE AND RISK PRICING MODEL

(Approved by the Board of Directors on 21.10.2024)

1. Introduction

At Shri Ram Finance Corporation Private Limited, we implement a risk-based pricing model to determine the appropriate interest rates for our products. This model serves as a dynamic tool that aligns pricing with the risk profiles of our customers. By continuously refining this model, we aim to optimize profitability while effectively managing risk.

2. Pricing on Loans

As a Non-Banking Financial Company (NBFC), our income derives from the interest spread between rates charged to customers and rates charged by our lenders. Operational and credit costs are deducted from this spread to determine profitability.

3. Interest Rate Policy & Model

3.1 Interest Rate Determination Methodology

The Asset-Liability Committee (ALCO) considers the following factors in determining interest rates for customers:

i. Cost of Funds/Capital

The Company raises funds through various sources such as bank term loans, non-convertible debentures, commercial paper, and subordinate debt. We also account for equity costs to arrive at the weighted average cost of capital, which considers average tenure, market liquidity, and refinancing options.

ii. Operating Cost

This includes employee expenses, branch-related costs (fixed and variable), operational costs, sales and marketing expenses, technology expenses, and costs related to sourcing and recovery.

iii. Credit/Default Risk Premium

A risk gradation for each customer is established to compute the credit/default risk premium, factoring in collateral nature, customer risk profile, and industry trends.

iv. Expected ROA

The Company aims for a Return on Assets (ROA) of 3-4%, subject to variation based on exceptional business scenarios.

4. Risk-Based Pricing Model

Our risk-based pricing model is segmented into three key categories:

4.1 Credit Rating/CIC Score

The Credit Rating/CIC Score is crucial in determining interest rates. Scoring criteria are as follows:

- **720 and above:** Low Risk
- **650 to 719:** Medium Risk
- **650 & Below:** High Risk

4.2 Customer Profiling

A structured approach ensures pricing strategies reflect the underlying risk associated with each customer.

4.3 Business Profiling

Similar methodologies are applied to assess business profiles for pricing purposes.

4.4 Asset Collateral Attributes

1.Type of Asset

2.Age of Asset

3.Location of Asset

4.Condition of Asset

5.Valuation of Asset

5. Risk Profiling of Borrowers

Borrower risk categorization is essential for each credit proposal. Factors considered for risk profiling include Debt-to-Income Ratio (DBR), Loan-to-Value (LTV) ratio, CIBIL score, lifestyle, and neighborhood checks.

5.1 Risk Profiling Guidelines

Each parameter is classified as Low, Medium, or High risk based on the following criteria:

| Parameters | Low | Medium | High |
|------------------------------|------------------------|-------------------------|-----------------|
| <i>DBR</i> | <i><=45%</i> | <i>above 45% to 65%</i> | <i>> 65%</i> |
| <i>LTV</i> | <i><=50%</i> | <i>Above 50% to 60%</i> | <i>> 60%</i> |
| <i>Customer living style</i> | <i>Good</i> | <i>Average</i> | <i>Poor</i> |
| <i>Neighbourhood checks</i> | <i>Good</i> | <i>Average</i> | <i>Poor</i> |
| <i>Credit Bureau score</i> | <i>720 & above</i> | <i>650-719</i> | <i>>650</i> |

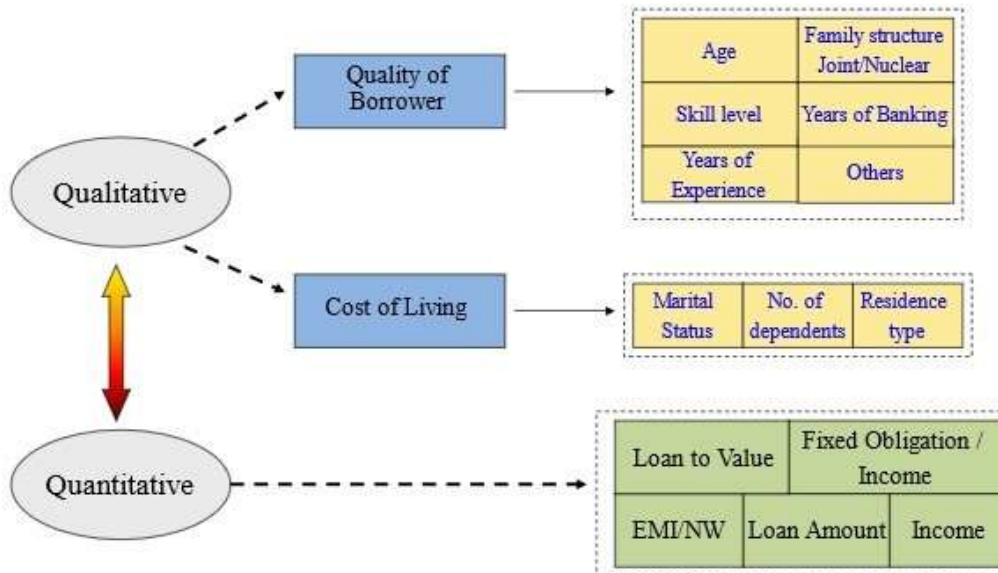
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|------------------------------|--------|-------|-----|
| ISM (Internal Scoring Model) | 70-100 | 50-69 | >50 |
|------------------------------|--------|-------|-----|

5.2 Final Risk Profile

The final risk profile is based on the majority risk categorization of the parameters:

- If the borrower qualifies as low risk on a minimum of 3 out of 5 parameters, they will be categorized as a low-risk borrower.
- If they qualify as low and medium risk on 2 parameters each and high risk on 1, they will be categorized as medium risk.
- Proposals with a high-risk profile will not be encouraged.
- Deviation if any are granted by Credit/Management

Explanatory Variables in the Buisness Loan Model



6. Conclusion

The risk-based pricing model at Shri Ram Finance Corporation Private Limited ensures equitable pricing reflective of the risk associated with each customer, promoting responsible lending practices.

SHRI RAM FINANCE CORPORATION PRIVATE LIMITED

Financial Year 2024-25

| S.N. | Income Head | Auto Loan | SWC |
|------|--|--|---|
| 1 | Rate of Interest | IRR Upto 35% | IRR upto 36% |
| 2 | Penal Interest | 6%p.m. of Overdue Amount for delay days | 6%p.m. of Overdue Amount for delay days |
| 3 | Broken period Interest - Moratorium Interest | As per calculation on, First EMI day and disbursement days GAP, (loan amount * roi * gap days) | As per calculation on, First EMI day and disbursement days GAP, (loan amount * roi * gap days) |
| 4 | Insurance/ Moratorium Interest - deducted from disbursements | Dealer wise Fixed Amount (as Moratorium Interest AL customer) | 3% of Loan Amount (as Insurance Payable) |
| 5 | Loan Protector | Rs. 800 Fixed (deducted from disbursement) (for all loans of specified dealers only) | Rs. 600 Fixed (Add to Loan) (for existing customers only) |
| 6 | Bounce Charges (Cheque & NACH) | Rs.400 Plus GST@18% | Rs.400 Plus GST@18% |
| 7 | Recovery & Seize Charges | Rs.500 Plus GST@18% | Rs.500 Plus GST@18% |
| 8 | Telephonic Charges | Rs.50 Plus GST@18% | Rs.50 Plus GST@18% |
| 9 | Legal & Notice Charges | Rs. 2000 Plus GST@18% | Rs. 2000 Plus GST@18% |
| 10 | Closure Charges | (A.)If pre-closure of loan on or before 6 Months - (3 to 4 Months extra interest to be charge). (B.) If pre-closure of loan after 6 Months- (2 Month Extra interest). | (A.)If pre-closure of loan on or before 6 Months -(3 to 4 Months extra interest to be charge). (B.) If pre-closure of loan after 6 Months- (2 Month Extra interest). |
| 11 | NOC Termination Charges | Rs.300 Including GST@18% | Rs.300 Including GST@18% |

SHRI RAM FINANCE CORPORATION PRIVATE LIMITED

Financial Year 2024-25

| S.N. | Income Head | SME | Personal Loan Twl | Personal Loan Sme & Fwl |
|------|---|--|---|--|
| 1 | Rate of Interest | IRR Up to 28% | IRR Up to 28% | IRR Up to 28% |
| 2 | Overdue Interest | 4%p.m. of Overdue Amount for delay days | 4%p.m. of Overdue Amount for delay days | 4%p.m. of Overdue Amount for delay days |
| 3 | Moratorium Interest | As per calculation on, First EMI day and disbursement days GAP, (loan amount * roi * gap days) | As per calculation on, First EMI day and disbursement days GAP, (loan amount * roi * gap days) | As per calculation on, First EMI day and disbursement days GAP, (loan amount * roi * gap days) |
| 4 | Document, Search & Valuation and Legality Charges | If Loan Amount is Less than 3 Lacs - 4.25% of Loan Amount (Plus GST@18%) | 3.50% of Loan Amount (Plus GST @18%) | If Loan Amount is Less than 3 Lacs - 3.5% of Loan Amount (Plus GST@18%) |
| | | If Loan Amount is More than 3 Lacs - 3.00% of Loan Amount (Plus GST@18%) | | If Loan Amount is More than 3 Lacs - 3.00% of Loan Amount (Plus GST@18%) |
| 5 | Loan Protector | If Customer Age is below 50 Years - 3% of Loan Amount | If Customer Age is below 50 Years - 3% of Loan Amount | If Customer Age is below 50 Years - 3% of Loan Amount |
| | | If customer Age is above 50 Years - 4% of Loan Amount | If customer Age is above 50 Years - 4% of Loan Amount | If customer Age is above 50 Years - 4% of Loan Amount |
| 6 | Bounce Charges (Cheque & NACH) | Rs.400 Plus GST@18% | Rs.400 Plus GST@18% | Rs.400 Plus GST@18% |
| 7 | Recovery & Seize Charges | Rs.500 Plus GST@18% | Rs.500 Plus GST@18% | Rs.500 Plus GST@18% |
| 8 | Telephonic Charges | Rs.50 Plus GST@18% | Rs.50 Plus GST@18% | Rs.50 Plus GST@18% |
| 9 | Legal & Notice Charges | Rs. 2000 Plus GST@18% | Rs. 2000 Plus GST@18% | Rs. 2000 Plus GST@18% |
| 10 | Closure Charges | (A.)If pre-closure of loan on or before 12 Months -(Upto 14 Months Interest). (B.) If pre-closure of loan after 12 Months- (2 Month Extra interest) | (A.)If pre-closure of loan on or before 12 Months - (Upto 14 Months Interest). (B.) If pre-closure of loan after 12 Months- (2 Month Extra interest) | (A.)If pre-closure of loan on or before 12 Months -(Upto 14 Months Interest). (B.) If pre-closure of loan after 12 Months- (2 Month Extra interest) |