

ADITYA BIRLA FINANCE LIMITED

INTEREST RATE FRAMEWORK POLICY

PREAMBLE

This document is intended to present Aditya Birla Finance Ltd. policies of providing adequate transparency to customers and ensuring an equitable interest rate mechanism.

The purpose of this note is to set out the principles followed while levying interest rate/margin on credit facilities extended by Aditya Birla Finance (ABFL) to its customers.

This Interest Rate Policy is in compliance with the directives of RBI to have a documented policy for interest rates charged on the loans disbursed by the company.

Given the business model of ABFL, the indicative lending rates could be in the band of ~0% to ~4% p.m. for varying loan tenors and risk profiles of borrowers. Most of these products, generally, are linked to the reference rates for the company. The above rates are indicative and will be modified from time to time based on prevailing market conditions among other factors. Customers will be made upfront aware of the offered price on their facility on the sanction documents or agreements as applicable to that product category, enabling the customer to be aware of all costs and charges for availing the loan and to enable him to compare the same with any offering from other lenders.

DOCUMENT OWNER AND REVIEW PROCESS

Document Owner: Treasury and Finance, Product and Policy Teams

Process for any modification/revision: Signoff from CEO & CFO in consultation with Business Heads

PRICING DETERMINATION MECHANISM

ABFL offers floating rate as well as fixed rate loans to its customers. The existing loan portfolio and new bookings comprise both these categories of loan. With respect to providing adequate transparency to customers and ensuring an equitable interest rate mechanism, ABFL publishes its reference rates and reference rates are used for pricing of all variable rate asset products offered by ABFL. ABFL also offers floating rates loans linked to external reference rates. The impact of any changes in the reference rates are passed onto the existing customer base on a transparent manner. Any change in the reference rates is approved by ALCO.

Any changes to reference rates are passed on to existing customers keeping the contracted spread (as agreed by both parties in the loan agreement) unchanged as deemed fit unless there is a credit quality deterioration/enhancement.

Premium over / below reference rate offered to new customers are determined by considering the following factors:

- Ticket size of the loan
- End use of fund
- Method of financial evaluation
- Credit profile of the customer
- Industry/competition pricing
- Any other factor

Reference Rate model

Reference rates for ABFL are determined basis following broad factors. Reference rates also factors in various other factors like current and forecasted market conditions, economic conditions at the time of revision.

- **Cost of Funds:** The Company has its sources of short-term and long-term borrowings such as commercial papers, NCDs, ICDs, bank term loans, other term loans, working capital borrowings etc. The borrowing rate for ABFL is dependent on the maturity period for which funds are borrowed. Similarly, the loan assets are priced based on the borrowing rates corresponding to the maturity or tenor for which the asset is created. In case of floating rate loan assets, the pricing is based corresponding to the reset period or like such parameters.
- **Tenor Premium and Liquidity Premium as per market conditions**
- **Operational Costs:** Interest rates to be charged should take care of operational cost towards sourcing, sanctioning, disbursing, collection, and management of such loan assets for various business segments.
- **Credit Risk:** Expected credit losses and NPAs, should be taken into consideration while arriving at the final interest rate for all loan assets. The amount of expected credit losses applicable to a particular type of loan transaction would depend on our internal assessment of the credit strength of our borrower.
- **Minimum Profit Margin**

OTHER PROCEDURAL ASPECTS:

- Lending to a particular borrower is decided after taking into consideration market reputation, repayment track record, risk profile, income available to service debt etc. of the applicant, and also nature and value of primary and collateral security offered.
- The rate of interest for the same product and tenor availed during same period by different borrowers need not be standardized. It could vary from borrower to borrower depending upon consideration of any or combination of above factors.
- Besides normal interest, the company may levy additional/penal interest for delay or default in making payments of any dues. These additional or penal interests may vary for different products.
- Other financial charges like processing fees, pre-payment/foreclosure penalty, documentation and other charges recovered are stated expressively in the Loan Agreement. They may vary across different products offered by the company based on the asset financed, exposure limit, expense incurred in the geographical location and borrower segment among other factors.

SCHEDULE OF CHARGES

The indicative schedule for charges for loan products is attached herewith:

Transactions	Charges (in Rs. Or in % as may be applicable)
Fore-Closure Charges	~4% + Applicable Taxes on Principal outstanding for Retail and SME products subject to agreed variations. For Mid and Large corporates, it may vary based on sanctioned terms.
Part Prepayment Charges	~3% to ~4% + Applicable Taxes on Prepayment amount subject to agreed variations.
Other Charges:	~2% to ~3% per month. This may vary based on product type and applicable conditions
Default Penal Interest Rate / Non Conformance with any covenants / stipulated conditions (at sole discretion of ABFL)	

Cheque Return Charges/ECS/SI/NACH failure charges	Rs. ~750/- to ~1000/- per instance. This may vary based on product type and applicable conditions
Cancellation Charges if any	~4.00% of loan amount disbursed for Retail and SME products subject to agreed variations. For Mid and Large corporates, it may vary based on sanctioned terms.
Closure charges for OD/LOC (Standard charges)	2% of prevailing limit at the time of closure
Request for copies of documents of any collateral held with ABFL per instance	Rs ~1000 to ~2500 per instance
Charge For Exchanging PDCs, Security Cheques (Per Set) / ECS	Rs. ~750/- to ~1000/- + GST per instance. This may vary based on product type and applicable conditions
CIBIL/Credit report retrieval fee	Rs. ~50 to Rs.~500. This may vary based on product type and applicable conditions
Loan Re-schedulement charges per instance(on request from applicants, approval be at sole discretion of ABFL)	For Mortgages - ~2% of loan outstanding, For Retail - Rs~5000 to ~7500, For corporate, it may vary based on product type and applicable conditions
* Stamp Duty	As per actual, where applicable
* Legal and other statutory charges	
* Insurance Premium	
* Creation charge with ROC	
Broken Period Interest	ABFL shall charge and collect BPI (Broken Period Interest)

*Changes to the above charges can be made at a product level with due approval from the respective Sanctioning authorities.

CUSTOMER COMMUNICATION:

- During the loan sanctioning process the borrower is clearly informed and explained about all the applicable charges and other terms and conditions pertaining to the loan facility; the borrower signs a Loan Agreement and /or a Sanction Letter as received from the Company.
- A copy of the same is kept for reference on the company's records.
- Any changes in the interest rates shall be communicated to the borrower in a mode and manner deemed fit, in advance.