# GODREJ FINANCE LIMITED

# Interest Rate & Charges Policy

## Contents

## 1. Introduction

Godrej Finance Limited (Company or GFL) is engaged in the business of extending loans to different types of customers. These loans and allied products could be backed by mortgage or otherwise. Considering its costs for raising resources for on-lending, cost of business operations and risk which it assumes, GFL levies interest rate for the loans and collects charges for several services it extends to its Borrowers, while ensuring that company remains competitive.

The Interest Rate & Charges Policy (Policy) contains details regarding application & review of interest rate and charges on the applicants and borrowers of GFL along with other matters incidental thereto.

## 2. Scope & Application

The Policy shall be applicable in respect of all loans extended by GFL except loans extended under Demand / Call loan Policy.

## 3. Regulatory Requirement

As per Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 ("RBI Direction") read with other applicable regulation as updated from time to time all NBFCs are required to adopt an interest rate model taking in to account 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 directive 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 issued to them

## 4. Purpose

The objective of the policy is to

- Lay down the interest rate and charges framework for GFL,
- Provide the type of interest rate and charges which can be levied,
- Provide the procedure & frequency for review and change of interest rate and charges,
- Lay down the mechanism for changes in the interest rate and charges,
- Provides the disclosure mechanism for interest rate and charges,
- Lays down the Governance Framework for the Policy
- Lays down the mechanism for review, change and modification in Policy.

## 5. Business wise approach

The Loan book of Company has primarily three types – (a) loan originated and fully owned by Company, (b) loan originated under co-lending and (c) loan acquired through Direct Assignment route.

## a. Organic Business

The Company may offer any of the below interest rates:

| Type of Rate | Brief Description |
|---|---|
| Floating Rate | • It's a rate which is linked to benchmark rate i.e. Prime Lending Rate (GFL PLR)<br>• Spread could either be negative or positive from the PLR<br>• PLR is subject to review by Asset Liability Management Committee<br>• Changes in PLR will be dealt as per Bulk rate reset paragraph in the Policy |
| Semi-Fixed Rate (Hybrid) | • It's a rate which is linked to benchmark rate i.e. Prime Lending Rate (GFL PLR)<br>• PLR is subject to review by Asset Liability Management Committee<br>• Spread could either be negative or positive from the PLR<br>• For a set period of time which will be informed to the Borrower the rate of interest shall remain fixed at the offer rate and will not change even if there is a change in PLR<br>• After expiry of the period for the ROI is fixed, the rate of interest offered to customer shall become floating and will be subject to change with change in PLR<br>• Changes in PLR will be dealt as per Bulk rate reset paragraph in the Policy |
| Fixed Rate | • Afixed rate loan is one where rate of interest remains fixed or unchanged during the period of loan except in case of reset due to extenuating circumstances such as (a) extreme rate movements, (b) force majeure or (c) due to regulatory actions<br>• |

## b. Co-lending

Company can enter into two type of co-lending partnerships viz (a) where company is a senior partner or (b) where the company is a junior partner.

The interest rate and any other fees/ charges on the underlying loans charged to the borrower shall be based on the contractual agreement between co-lending partners. The final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective funding co-lending partners, as per their internal lending policies and risk profile of the same or similar borrower, weighted by the proportionate funding share of concerned partners under Co-lending agreement.

The fees/charges payable to sourcing or servicing entity shall depend upon relevant factors such as the nature of service provided, quantum of loan, etc. Such fees/charges shall not involve, directly or indirectly, any element of credit enhancement/default loss guarantee.

Any fee/charges payable to the sourcing or servicing entity shall be part of a separate arrangement and shall not be included in the calculation of blended interest rate. All such additional charges, together with the blended interest rate charged to the borrower, shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS.

Company may opt for an external benchmark for co—lending loans. The said benchmark rate will be placed for approval of the Asset Liability Management Committee of the Company.

The applicable interest rate shall be communicated to the customers as a part of the loan documents and made available on the website of the Company.

Where the Company is a senior partner, interest rate on these loans will be linked to the PLR of the Company.

**c. Direct Assignment**

Loan acquired via direct assignment, interest rate on these loans may be referenced to an external benchmark rate of banks/ FIs from where they are originated and may not be necessarily in line with the Company's benchmark rate.

## 6. Interest rate model

### a. GFL Prime Lending Rate

The Prime Lending Rate of GFL will be decided by considering the following factors:

| Component | Description |
|---|---|
| Cost of Capital | It is the cost of return for equity investors which the Company would require to pay |
| Marginal/ Incremental Cost of Borrowing | It is the cost of raising funds from external sources |
| Liquidity cost | It is the cost of maintaining surplus liquidity on balance sheet |
| Operating Cost | It is the operational cost associated with the products |
| Minimum Standard Asset Provisioning | It is the cost associated with the minimum provisioning requirements for the assets as per regulatory guidelines |
| Expected Credit Loss | It is the cost of risk which is carried on account of the credit worthiness of the borrower |
| Risk Premium | It shall be determined by taking into account the minimum margin the Company wants to maintain along with degree of risk involved in loan |

**Frequency of review of PLR**

The rate and components of PLR will be reviewed on a half-yearly basis. Any changes in the components of PLR will be approved by the Asset Liability Management Committee of the Company.

**Types of PLR**

At present, Company has five types of Prime Lending Rates – (a) GFLPLR and (b) GFLPLRBL (c) GFLGODPL (d) GFLPLRCF (e) GFLPLRPL. The differentiating features of the PLR are as below:

GFLPLR or Godrej Finance Limited Prime Lending Rate is the PLR which is used for customers which have historically carried lower credit risk such as Loan Against Property and Construction Finance.

GFLPLRBL or Godrej Finance Limited Prime Lending Rate for Business Loans is the PLR which is used for customers which have historically carried higher credit risk such as Business Loans.

GFLGODPL is the PLR introduced for providing Personal Loan to Godrej Industries Group employees.

GFLPLRCF or Godrej Finance Limited Prime Lending Rate for Construction Finance is the PLR introduced for dealing in Construction Finance Product.

GFLPLRPL or Godrej Finance Limited Prime Lending Rate for Personal Loan is the PLR introduced for Personal Loan to LAP salaried customers.

The Company may adopt new PLR as may be required from time to time with the approval of ALCO.

The PLR will be calculated by the Treasury Team, reviewed and approved by the Asset Liability Management Committee (ALCO).

### b. Spread

(a) Credit Risk Profile- It may be decided based on the following factors:
   (i) Assessed Industry risk and current level of Rate of Interest in the market for similar lending activity;
   (ii) Quality of Security/ Collateral;
   (iii) Internal, External Credit Rating and Credit-worthiness of the borrower;
   (iv) Profile of Customer: Customer profile which includes their experience, educational qualifications, market reputation, business profile, financial profile, business model, etc. is an important factor is deriving the interest rate for the loans.
   (v) Internal credit scorecards and risk models
   (vi) Any other factor as may be decided by the credit team

(b) Tenor

(c) Business Strategy- It may also consider aspects like business objectives, market competition, embedded options in the loan product etc.

(d) Customer Indebtedness (other existing loans)

(e) Collateral – whether any collateral is available or not, the quality of collateral and its liquidity position in event of foreclosure,

(f) Additional Credit/ Operational Cost.

The rate of interest for the same product and tenor availed during same period by different customers need not be the same-. It could vary for different customers depending upon the risk profile of the customer and shall be at sole discretion of Company.

### c. Risk Based Pricing

GFL will price its loans in line with the risk which it will assume by extending a loan. The spread for different profiles which will be linked to the PLR will be decided by Asset Liability Management Committee (ALCO). However, at no point shall any kind of additional risk burden be placed on any person due to reasons such as visually or physically challenged.

Guiding Principles

1. The profile will be as per the credit policy of the company
2. The final rate and type will be decided as per the Delegation Matrix
3. For final rate factors mentioned in spread to be considered
4. Rate to be offered to the customer via Sanction Letter acceptance of which will lead to confirmation
5. Company will take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan.

## Deciding Final Rate for Borrowers

### a. Bulk Rate Changes

The Company may reset floating rate on its personal loans in line with the changes in its PLR. The Company shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan at the time of sanction and during the tenure of the loan.

Following actions shall be undertaken by the Company:

- At the time of reset of interest rates, the Company may, at its discretion, provide the option to the borrowers to switch over to a fixed rate in conformity with extant guidelines. This fixed rate shall be linked to the fixed PLR of the Company and shall be as per the rate decided by the Asset Liability Committee,
- The Borrower may, at the discretion of the Company and in conformity with extant guidelines, be allowed to switch from fixed rate from floating and vice-versa any number of times during the tenor of the loan, subject to payment of switching fee of the Company,
- The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. However, the option to enhance EMI or tenure or combination shall be within othe risk / credit parameters of the Company such as that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

### b. Charging of Interest

The Company charges an interest rate to the Borrower from date of actual disbursal of funds by Company.

### c. Interest rate ceiling

In accordance with the latest guidelines and best business practices, the Company is keeping a ceiling of 34% on the interest rate charged to the customers.

### d. Sub-PLR Lending

Considering the fact that Company has recently started its retail lending operations and the fact that Company needs to remain competitive in the market by offering a rate of interest consistent to what is priced by its peers, Company may offer ROI at sub-PLR to its Borrowers.

## Post Disbursement changes in terms & conditions

| Scenarios | Details |
|---|---|
| Changes as per Product opted by customer | Any change which is done as per the distinct product opted by the borrower |
| Any other changes as loan terms contained in Finance Documents | Any change such levy of penal charge in event of delinquency or change of loan classification in event of diversion of funds as per Finance Documents |
| Changes due to part-payment | In event of part-payment of loan outstanding |
| Changes in ROI due to change in PLR | Any upward / downward change in PLR |
| Re-pricing the loan in case of change in risk profile | • Change in borrower profile,<br>• KYC risk change,<br>• Delinquency of loan<br>• Any other contributing factor causing change in risk score of borrower |

| | |
|---|---|
| Breach of loan terms and conditions | Any breach of terms of condition of Finance documents will lead to a right of company to charge higher interest rate or accelerate the loan |
| Change in other Sanction terms:<br>• Adding / Removing a borrower<br>• Change / release / Addition of collateral<br>• Any other Sanction Terms change | As per scenario prescribed |
| Loan Downsize | Either on request of borrower or in event Lender is of view that further loan must not be extended |
| Loan Cancellation | Either on request of Borrower or on company decision due to any breach of Finance Documents |
| Switch of ROI from fixed to floating | On customer request |

Changes in terms & conditions of loan post disbursement shall be allowed to all eligible class of customers who fit into the scenarios prescribed above as per the Standard Operating Procedure (SOP) approved by the Chief Risk Officer and any of Chief Credit Officer / Credit Head.

**Risk Review of Customer Profile**

GFL may at its discretion conduct a risk review of customer profile and basis that risk review vary the spread offered to the borrower as per respective risk profile. Change in spread of Borrower may result into change in interest rate offered to the borrower.

## 7. Schedule of Charge

Charges leviable by GFL are consolidated under Schedule of Charges. Charges are for services provided by GFL to the customer or for recovering cost for activities done in relation to loan. GST, any cess & other taxes, levies etc. prescribed by the Government of India or the respective state will also be charged from the customer. Further, the fee and charges are subject to review and will be at the sole discretion of Godrej Finance Limited. Charges levied may vary from customer to customer depending on the profile, product offering selected, other nuances of the loan.

**Type of Charges**

The list of charges below is an indicative list and may undergo modification basis decision of competent authority.

**On-Boarding Charges**

These are the charges levied before loan is disbursed and would include:

- Processing fee
- Stamping or Franking
- Charges towards Stamp Duty/ Registration/ Intimation of mortgage/ Creation of Mortgage
- Charges to be paid to CERSAI/ CKYCR
- Technical Fees (For additional property)
- Valuation fee in Construction Linked Loan cases

**Life Cycle Charges**

These are the charges which are leviable in the event of a trigger. They are:

- Physical Statement of Account
- Physical Duplicate NOC
- Physical Repayment Schedule
- List of Documents
- Instalment  Pick up
- Physical copy of Property documents
- Charges to issue Loan Foreclosure letter
- Conversion or Switch (Changing Floating Rate to Fixed Rate or vice versa)
- Repricing Fee
- Document retrieval (per retrieval)
- Demand Draft or Pay Order Re-issuance or Cancellation
- Loan cancellation charges
- Bank Charges on Cheque/ECS / NACH Bounce

**Recovery Charges**

These charges are related to loan recovery and are as below:

- 1$^{st}$ presentation EMI Bounce every month
- 2$^{nd}$ presentation EMI Bounce every month
- Late Payment/ Penal charges (Per month)
- Repayment mode - Cheque/NACH Swap
- Charges towards Legal/ / SARFAESI/ Recovery action

**Penal Charges**

Company may levy a penal charge equivalent to **2% of overdue outstanding amount (principal plus interest).** There shall be no capitalization of penal charge. Following are situations which are considered as material breach of terms and conditions and company may levy penal charges for them:

1. Non-repayment of loan dues,
2. Non-submission of documents committed to be submitted to the Lender,
3. Other terms and conditions as contained in Loan Agreement or Borrowers Documents

**Pre-Payment/pre-closure Charges**

These charges shall be leviable in the event of closure of loan facility with GFL as per the extant regulations which prescribe as under:

GFL shall not impose foreclosure charges/ pre-payment penalties on below:

a. Floating rate loans granted to individuals for purpose other than business

b. Floating rate loans granted to individuals  or Micro & Small Enterprises with sanctioned amount / limit upto Rs. 50 Lakhs for business purpose

For remaining loans, charges as detailed in Schedule of charges shall apply.

For semi-fixed loans – during fixed tenure the fixed charges will apply and vice-versa for floating tenure

**Other Charges**

Other miscellaneous charges would be:

| **Charge Description** |
|---|
| Other Documents |
| Miscellaneous Charges |

The detailed Schedule of Charges is hosted on Website of the Company: https://finance.godrejcapital.com/gf/information-and-policies

**Waiver of Charges**

The charges can be waived as per the Delegation matrix.

**Review & Change in Schedule of Charge**

The treasury/ business team / Service Team can review the Schedule of charge and can recommend changes to it by ALCO.

**Mode of Informing Change in Charges**

All changes in interest rate and charges will be done on prospective basis. Any revision in rate of interest or fee/ charges by the Company shall be notified through any one or more of the following media and shall be construed as full notice to the customer:

- Letter on the last known address;
- E-mail on the registered E-mail ID;
- SMS/ telephone/ electronic message on the registered mobile no.;
- Notice at the Company's branches;
- Notice on the Company's website.

**Introduction of new charge**

New charge can be introduced, as may be required, by the Company may be due to follow scenarios:

- Introduction of new product/ sub-product
- Revision in existing products
- Change in processes
- Change in regulations

For the introduction of new charge, following points shall be considered:

- Regulatory norms
- Rationale for introduction of new charge
- Process of implementation of new charge
- Industry benchmarking
- Change in customer disclosure documents

Any new charge shall be approved by the Asset Liability Management Committee of the Company. New charges will be levied prospectively.

**Disclosures**

**a. Website Disclosures**

As per RBI Directions, the following is displayed on the website of the Company with respect to interest rate and charges:

- Interest rate and Charges Policy
- The rates of interest and the approach for gradation of risks in Application form and sanction letter.
- Interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers along with mean interest rates for such loans.
- The total fees and charges applicable on various types of loans to individual borrowers including the quantum and reason for penal charges
- Annual Percentage Rate (APR) or similar arrangement of representing the total cost of credit on a loan to an individual borrower

**b. Other Disclosures**

Disclosures with respect to interest rate and charges shall be as per regulatory norms and shall be disclosed to customer on:

- Application form
- Sanction letter
- Most Important Terms and Conditions
- Key Fact Statement
- Loan Agreement
- Notice Board of branches

The Company may disclose the same in any other document, in addition to above regulatory requirement, for the information of the customer.

**Governance Framework**

**Board of Directors**

- To consider and approve interest rate and charges policy
- To review interest rate and charges policy

**Asset & Liability Committee**

- To amend or modify interest rate and charges policy
- To approve changes in Schedule of charges
- To approve and fix PLR and any revision thereto
- To review components of PLR as per prescribed frequency
- All other matters incidental to policy

**Product Committee**

- To review and recommend changes in Schedule of charges
- To review and recommend new GFL PLR and any revisions thereto
- To review components of PLR as per prescribed frequency

The Governance framework mentioned herein shall be read along with terms of reference / Charter of Board / Committees approved by the Board of Directors. In case of any conflict, the Terms of Reference / Charter approved by Board to be preferred

**Review, Modification & Changes**

- There shall be an annual review of the Policy by the Board of Directors
- Board of Directors can at any time modify or amend, either the whole or any part of Policy