



Interest Rate and Penal / Service Charges Policy

Laxmi India Finance Limited
(Formerly known as Laxmi India Finance
Private Limited)
(Formerly known as Laxmi India Finleasecap
Private Limited)

**(Sapne Dekho, Bade Dekho, Hamare Saath
Unhe Pura Hote Dekho)**



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1. Introduction

Laxmi India Finance Limited (Formerly known as Laxmi India Finance Private Limited) (Formerly known as Laxmi India Finleaseap Private Limited) (hereinafter referred as “the Company” or “LIFL” or “Laxmi India”) “a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide registration no. B-10.00318 dated March 31, 2023 and is classified as a Middle Layer NBFC (“NBFC-ML”) under the Scale Based Regulatory Framework issued by RBI. and having more than 20 years of experience in asset finance business.

It is focused on offering financing of MSME, Loan against property, commercial vehicles (HCV, LCV, MUV, SUV), Tractors, Two-wheelers, Personal and Business Loan.

2. Regulatory requirement

The Reserve Bank of India (“RBI”) has issued the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as amended from time to time) [‘the Master Direction’]. In furtherance, RBI vide circular on Fair Lending Practice – Penal Charges in Loan Accounts dated August 18, 2023 has released guidelines to ensure reasonableness and transparency in disclosure of penalties to the customers. The RBI vide the Master Direction has advised NBFC's to adopt an appropriate interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and to determine the rate of interest to be charged for loans and advances and other similar financial products and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest to different categories of borrowers or customers or clients and to disclose the rate of interest to the borrowers or customers or clients in the Loan Application Form (the LAF) and to be communicated explicitly in the sanction letter / intimation.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate and Penal / Service Charges Policy broadly outlining the Interest Rate Model and penal/service charges and the Company's approach of risk gradation in this regard for its lending business.

3. Interest rate model

Laxmi India Finance Limited (Formerly known as Laxmi India Finance Private Limited) (Formerly known as Laxmi India Finleaseap Private Limited) focuses on providing wide range of loan facilitates to its customers i.e. MSME, Loan against property, all kind of commercial vehicles (HCV, LCV, MUV, SUV), Tractors, Two-wheelers, Personal Loan and Business Loan etc. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as mentioned below:

- a) Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest



(viz. monthly); terms of repayment of principal; bullet payment, etc.

- b) Internal and External Costs of Funds - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c) Credit Risk - The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer. This cost is then reflected in the final rate of interest quoted to a customer.
- d) Market Dynamics Views: Views of the Management of the Company on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products services shall be taken into consideration. The forecasts and analysis of 'what if scenarios' conducted by the Management are also relevant factors for determining interest rates to be charged.

4. Approach for Gradation risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- i. profile and market reputation of the borrower;
- ii. Historical performance of similar homogenous pools of borrowers;
- iii. Profile, strength, experience, income/earnings of the borrower;
- iv. Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
- v. Type of asset being financed, end use of the loan represented by the underlying asset;
- vi. nature and value of primary and secondary collateral / security;
- vii. overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
- viii. RBI Policies on credit flow;
- ix. Offerings by competitors;
- x. External ratings etc.
- xi. And any other factors that may be relevant in a particular case.

5. Rate of Interest

- a) The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Thus, it is decided that Annualized Rate of Interest of the loans and advances shall be between 14% to 28% p.a. to be charged for the entire tenure.
- b) Further Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower in the welcome letter along with the installments towards interest and principal dues.
- c) Besides normal Interest, the Company may levy additional interest for ad-hoc facilities,



penal charges/ default charges for any delay or default in making payments of any dues. The details of Penal charges for late repayment will be mentioned in bold in the loan agreement and communicated at the time of sanctioning the loan.

d) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment/foreclosure charges, part disbursement charges, cheques swaps, cash collection charges, bank charges, charges on various other services like issuing NOC, field visit for collection follow up, Statement of Account Charges, Foreclosure charges, Duplicated Repayment Schedule, Legal Charges etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates, from time to time.

6. Penalties levied on the Customer (Effective from April 01, 2024)

The Company does not charge any penal interest on delayed payments from its borrowers. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount, and the same will be communicated to the borrowers by way of bold letters in the loan agreement. Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower. Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements. There shall be no foreclosure rate/ prepayment penalty charged on floating rate interest loans sanctioned to the individual borrowers as per the extant regulations.

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

The Company shall not introduce any additional component to the rate of interest and ensure compliance to Fair Lending Practice - Penal Charges in Loan Accounts guidelines in both letter and spirit.

The quantum of penalties shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

The penalties in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non- individual borrowers for similar non-compliance of material terms and conditions.

The quantum and reason for penal charges shall be clearly disclosed by company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on company website under Interest rates and Service Charges.



Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

Requirements mentioned in this clause shall be applicable in respect of all the fresh loans availed / renewed from April 01, 2024. In the case of existing loans, the switchover to new penalties shall be ensured on next review or renewal date or six months from the effective date, whichever is earlier.

7. Content on the website

This interest Rate and Penal / Service Charges Policy and schedule of charges shall be made available on the Company website i.e. www.lifc.co.in.

8. Review

The Board shall review and amend this policy as and when required. If at any point a conflict of interpretation / information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.