INTEREST RATE POLICY

Background:

- In the light of the complaints regarding charging of excessive interest and other charges by NBFCs, RBI has requested NBFCs to set out clearly the principles and procedures followed in determining interest rates, processing and other charges and also adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest. Keeping in view the RBI guidelines and as a good governance practice, the Company has adopted the following internal guidelines, policies, procedures and interest rate model for its finance business.

Section A – HBLR Interest Rate - Methodology:

- The rate of interest charged to the borrowers will be linked to Hinduja Leyland Finance Base Lending Rate (HBLR) which will be fixed by the Asset Liability Management Committee (ALCO) from time to time taking into account the weighted average cost of funds, average risk premium, and Systemic and Market Risk premium, and overhead and cost of operations.

  The HBLR and its various components have been explained below by way of an example.

Components in Interest rates	
Cost of Borrowing	8.9%
Average Risk premium (All grades)	1.2%
Systemic and Market Risk premium	0.7%
Overheads & Cost of operations	1.7%
Hinduja Leyland Finance Base Lending Rate (HBLR)	12.5%

1. Vehicle Finance NBFCs were not able to transfer the excess Interest Cost to the Borrowers primarily due to competitive intensity from banking sector, Market Share loss. We shall review the above table on a need basis, monitoring the liquidity in the system and the rate increase.

Note:

1. The weighted average cost of Borrowings as on 31st March, 2025 is 8.9%.
2. The first component as mentioned in the above table would largely impact HBLR.
3. Average Risk Premium is computed on the basis of impairment of financial assets as per statement of profit and loss on average AUM.
4. Overheads and Cost of Operations is computed basis the expenses incurred by the Company for managing the AUM, as per the Statemen of Profit and Loss account, this excludes finance cost and impairment of financial assets. This is computed on the basis of average AUM.
5. The above components are quantitative in nature, apart from Systemic and Market Risk premium which qualitative in nature due to its dependence on macro factors affecting the liquidity of the banking system and outcome of various multiple economic factors.

Section B – Product Level Pricing - Methodology:

- The rate of interest charged to our customers is linked to HBLR. The mark up over this rate would vary depending on the risk profile of the customer, asset class (commercial vehicle, personal vehicle, tractors, construction equipment, loan against property etc.), asset type (new/used) and prevalent liquidity conditions. Accordingly, the current indicative rate of interest range charged to our customers, for the above asset classes, is given in Annexure 1. In case of any deviations, it has to be approved by the Chief Financial Officer and Managing Director/Chief Executive Officer.

- The interest rates offered could be on fixed basis or floating / variable basis. In the case of loans on floating rate basis, the base for the floating rates would be reviewed on periodic intervals. In the case of fixed rate loans on EMI basis, annualized rate of interest would be intimated to the customer

- The interest rate applicable to each loan account will be assessed based on multiple parameters like tenure, borrower profile, borrower's repayment capacity based on the cash flows, inherent credit and default risk in the business, loan to value of the asset financed, type of collateral security provided by the borrower, past repayment track record of the borrower, deviations permitted, ancillary business opportunities, future potential, group strength etc.

Approach to Gradation of Risk

- This rate of interest is arrived at through Hinduja Leyland Finance's interest rate model which takes into account relevant factors such as cost of funds, margin and risk premium, we take a comprehensive approach to the gradation of risk that does not discriminate between class of borrowers, but rather tailors the interest rate to each loan.
- The decision to give a loan and the rate of interest thereon are carefully assessed on a case-by-case basis, based on multiple factors which may included the borrower's cash flows (past, current and projected), borrower's other financial commitments. the borrower's credit record, tenure of the borrower relationship, market reputation of the borrower, geography of the customer,the security for the loan as represented by underlying assets or other financial guarantees etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

Other aspects:

- The Company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.

- The Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.

- The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the Company. The information published in the website would be updated whenever there is a change in the rates of interest.

- Changes in interest rates could be decided at any periodicity, depending upon market volatility and competitor review.

- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

- Besides normal interest, the company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues. The Company shall mention the penal interest rate chargeable in bold in the loan agreement.

- The interest would be charged on monthly/quarterly/half yearly rests or on maturity, depending on product features and customer preferences. However, the customer would be provided an annualised rate of interest in the sanction letter. Annualised Percentage Rate (APR) will be part of the Key Facts Statement (KFS) shared with customer. Specific terms in this regard would be addressed through the relevant product policy.

- Interest rates would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.

- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.

- Besides interest, other financial charges like processing fees, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the Goods and services tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. These charges would be decided upon collectively by the management of the Company.

- The practices followed by competitors would also be taken into consideration while deciding on interest rates / charges.

- Interest rate models, base lending rate and other charges, and their periodic revisions will be made available to prospective and existing customers through our offices and branches. Prior to entering into an agreement with customers, they will be provided with statement of charges and interest and their queries and questions on the same, will be addressed to their satisfaction. Loan officers will ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in the Company's products.

- Claims for refund or waiver of such charges/ penal interest / additional interest / HBLR rate increases would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

Policy review

This Policy will be reviewed periodically as and when needed and at least once in a year.

This Policy was last reviewed and approved by the Board on 7th November,2025.

Annexure 1: Rate of Interest Range

Product Code	Vehicle Loan Products			
	New Vehicle		Used Vehicle	
	Minimum	Maximum	Minimum	Maximum
THREE WHEELERS	18.00	28.00	21.00	36.00
TRACTOR	12.00	28.00	15.00	36.00
CONSTRUCTION EQUIPMENTS	9.00	18.00	12.00	36.00
CAR	10.00	30.00	12.00	36.00
MULTI UTILITY VEHICLE	10.00	24.00	12.00	36.00
HEAVY COMMERCIAL VEHICLE	9.00	24.00	12.00	36.00
MEDIUM COMMERCIAL VEHICLE	9.00	24.00	12.00	36.00
SMALL COMMERCIAL VEHICLE	9.00	24.00	12.00	36.00
INTERMEDIATE COMMERCIAL VEHICLE	9.00	24.00	12.00	36.00
LIGHT COMMERCIAL VEHICLES	9.00	24.00	12.00	36.00
TIPPER	9.00	24.00	12.00	36.00
BUSES	9.00	18.00	10.00	36.00
TWO-WHEELER	15.00	36.00	18.00	36.00
Non- Vehicle Loan Products				
	Minimum		Maximum	
SUPPLY CHAIN FINANCE (SCF)	10.00		24.00	
CO-LENDING	9.00		18.00	
LOAN SOURCED THROUGH BCs	9.00		24.00	
UNSECURED LENDING	12.00		27.00	
TRADE ADVANCE	10.00		18.00	
LOAN AGAINST PROPERTY (LAP)	9.00		18.00	
WHOLESALE*	9.00		18.00	

*Wholesale includes Portfolio buyouts, DA, PTC and other investments.

Note:

1. All rates mentioned are only Indicative and are annualized.
2. Fixed rates sanctioned to customers will not change during the tenor of the loan.
3. Actual Lending Rate will vary on a case-to-case basis depending upon consideration of any one or more factors referred in Approach for Gradation of Risk. The wider ranges for some products reflect the need for

pricing flexibility to accommodate the diverse borrower profiles, geography etc.

4. There may be special schemes/rates offered by the Company from time to time/exception basis at different terms with the approval of management. The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case-to-case basis.
5. The minimum and maximum range parameters are set higher for the used vehicle segment to align with the risk–return framework, considering that exposures are extended primarily to new-to-credit customers and owner cum driver. Additionally, the asset class presents elevated risk characteristics attributable to the age and residual value of the underlying collateral.
6. Additional service tax / GST and other cess will be charged as applicable.