

# **SF3-IN Interest Rate Policy**

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## **BMW India Financial Services**

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7.0	March 2022	Annual review.	24 <sup>th</sup> March 2022
8.0	August 2022	Addition of methodology and interest rate model.	29 <sup>th</sup> August 2022
9.0	August 2023	Annual Review	17 <sup>th</sup> August 2023
10.0	November 2023	In line with the RBI notification dated August 18, 2023 has issued new Circular on Fair Lending Practice - Penal Charges in Loan Accounts.	30 <sup>th</sup> November 2023

11.0	September 2024	<ul style="list-style-type: none"><li>Annual Review</li></ul>	2 <sup>nd</sup> September 2024
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<b>Next Review Date</b>	September 2025
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**BMW INDIA FINANCIAL SERVICES PRIVATE LIMITED**

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## 1 Introduction

The Board of Directors of BMW India Financial Services Private Limited (“Company”) have approved the Interest Rate Policy which outlays the internal procedures in determining interest rates as per the requirement of the Reserve Bank of India. Reserve Bank of India (“RBI”) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was considered in view of the several complaints RBI received regarding levying of excessive interest and charges on certain loans by NBFCs.

While reiterating these guidelines vide their circular DNBS (PD) C.C. No. 133 /03.10.001/ 2008-09 dated January 2, 2009, RBI further advised the NBFCs to 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.

Further, this policy provides various reliefs which the Company may provide to the eligible borrowers pursuant to the COVID-19 - Regulatory Package as released by the RBI vide Guidelines no. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and COVID-19 - Regulatory Package as released by the RBI vide Guidelines no. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 (“COVID Guidelines”) read with RBI Circular nos. RBI/2019-20/219DOR.No.BP.BC.62/21.04.048/2019-20 dated April 17, 2020 and RBI/2019-20/245 DOR.No.BP.BC.72/21.04.048/2019-20 dated May 23, 2020.

This policy also provides the guidelines for refund/ adjustment of interest on interest charged from the borrowers from 01<sup>st</sup> March, 2020 to 31<sup>st</sup> August, 2020 (“Moratorium period”) pursuant to RBI circular named ‘Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package’ dated 07<sup>th</sup> April 2021 (“Interest Circular”) read with the methodology released by the Indian Banks Association in this regard.

Further the policy has been amended in accordance with the Reserve Bank of India vide its notification dated August 18, 2023 issued on **Fair Lending Practice - Penal Charges in Loan Accounts**.

The Company ensures fair practice and transparency to its customers and accordingly this Interest rate policy is also published on Company’s website.

The interest rates for each of the loan product would be approved as per the Delegation of Authority Matrix updated from time to time.

## 2 Key Commitments and Declarations

### 2.1 Methodology of Gradation of Risk.

Each customer represents a different risk profile based on the promoter profile, experience, credit and default risk in the respective business segment, CIBIL scores, repayment track record of the borrower with lenders, nature and value of primary and collateral security, etc.

### 2.2 Interest Rate Model

Keeping in view the RBI guidelines as cited above, the following internal guiding principles and interest rate model are therefore laid out that need to be taken cognizance of while determining interest rates and other charges.

Major Factors deriving the interest rate are as follows:

- a. Cost of Funds - The Asset Liability Management Committee (ALCO) plays a critical role in managing the short and long term cost of the funds & asset and liability balance for the company. ALCO committee gives guidance on cost of funds for respective tenor and range of interest rates for the loan.
- b. Tenure of Loan - Tenure of the Loan is also a key factor in deciding on the interest rate for the customer since short- & long-term funds have different cost associated to them.
- c. Security - Customer offers variety of securities for the loan which include exclusive charge or pari passu charge on current assets, movable fixed assets, fixed assets, property etc. This parameter is also critical while assigning the interest rate.
- d. Loan Ratings - External rating of the Company from the Rating Agencies like CRISIL, CARE, India Ratings, SMERA etc. also helps in assigning the risk weightage to the customer's profile and thereby arriving at the interest rate.
- e. Profile of customer - Customer profile which includes their experience, education, market reputation, business profile, financial profile, business model, etc. is an important factor in deriving the interest for the loans.
- f. Annualised Rate - The rate of interest is annualised rate so that the borrower is aware of the exact rates that will be charged to the loan contract on monthly basis.
- g. Sanction Letter - The customer is given a copy of sanction letter which has relevant -loan conditions (Loan amount, EMI, tenure, model etc) for transparency in line with the requirements of the RBI guidelines on Fair Practice Code. -
- h. Welcome Kit – Once the loan is disbursed, Welcome Kit along with the copy of the Retail Finance Agreement (containing the all the terms and conditions of the Loan Contract agreed by customer with company including penal charges to be levied in case of default by customer in paying his monthly EMI towards Loan contract) is send to customer on his registered address
- i. Additional Interest on Adhoc Facilities - Besides normal interest, the Company may levy additional interest for ad hoc facilities, penal chargess for any delay or default in making payments of any dues. These additional or penal charge for different products or facilities would be decided by the above-mentioned committees. Penal charges is clearly mentioned in the Loan agreement and displayed on the company website.
- j. Interest Rate Change Information - Interest rate change would be prospective in effect and intimation of change of interest or other charges would be communicated to the customers in a mode and manner as may be deemed fit.
- k. Interest Rate range – Company follows range of interest rates which will be on periodic basis and are published on Company's website.

### 2.3 Other factors to be considered –

These rates would be based on the matching tenor cost, market liquidity, refinance avenues, RBI policies on credit flow, offerings by competition, tenure of customer relationship, market reputation, cost of disbursements, cost of capital required, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualification, stability in earning and employment, subventions and subsidies available, deviations permitted, ancillary business opportunities, future potential, group strength and value to lender group, overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options, canvassed accounts etc.

2.4 The average yield on product and minimum rate of interest under each product line would be decided from time to time by the above mentioned empowered Committees.

2.5 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.

2.6 Besides the base charges, the service tax and other government charges would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. These charges would be decided by the above mentioned committees.

2.7 In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.

Further, pursuant to the COVID Guidelines, the Company may provide option of rescheduling of payments on Term Loan and Working Capital facilities by way of granting moratorium/ deferment towards interest payment and easing of Working Capital facilities as per details specified in Annexure I appended hereto.

Further, pursuant to the RBI circular named Interest circular, the Company will refund/ adjust the 'interest on interest' charged to the borrowers, if any, during the moratorium period as per the methodology finalized by the IBA. The details in this regard are specified in Annexure II appended hereto.

2.8 The interest rate models and other charges applicable from time to time to be hosted on the website (after it is developed and available) and updated from time to time.

2.9 In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursements or as may be decided by the Company.

2.10 No claims for refund or waiver of such charges/ penal charge / additional interest would normally be entertained by the Company and it is the sole discretion of the Company to deal with such requests, if any.

The information related to rates of interest and approach for risk gradation shall be updated on the Company's website ([www.bmw.in](http://www.bmw.in)), whenever there is any change in the rate of interest policy.

## Annexure I

The Company may provide following relief(s) with respect to Term Loan and Working Capital facilities and easing of Working Capital facilities for the eligible customers pursuant to the RBI COVID Guidelines:

**Moratorium:** The Company may grant a moratorium of up to three months on payment of instalments falling due between 1<sup>st</sup> March 2020 and 31<sup>st</sup> August 2020 towards interest payment and principal repayment in respect of the term loans. The repayment schedule for such loans as also the residual tenor, shall be shifted after the moratorium period for such period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period and will be payable alongwith the instalment falling due in the month of August 2020.

**Deferment:** The Company may defer the recovery of interest applied, in respect of working capital facilities sanctioned in the form of cash credit (including inventory finance), during the period from 1<sup>st</sup> March 2020 up to 31<sup>st</sup> August 2020. The accumulated accrued interest may be recovered immediately after the completion of this period or the Company may convert the accumulated interest for the deferment period up to 31<sup>st</sup> August 2020, into a funded interest term loan (FITL) which shall be repayable not later than 31<sup>st</sup> March 2021.

**Easing of Working Capital facilities:** The Company may calculate the working capital requirements and/ or reassess the working capital cycle. This relief shall be available in respect of all such changes effected up to 31<sup>st</sup> August 2020 and shall be contingent on Company satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. In all such cases where this relief is granted, the working capital limits/ working capital cycle to be restored to the original levels by 31<sup>st</sup> March 2021.

### A. Eligibility and relief

The Company shall grant relief in the following cases:

1. To the Customer (only businesses / SMEs):
  - a) belonging to any of the following industry
    - Travel and tourism
    - Aviation
    - Hotel and Hospitality
    - Manufacturing business
    - Media and Entertainment (Infrastructure, Building and Construction)
    - Real Estate
  - Or
  - b) ) having residence or commercial set up in any Red Zone or Containment Zone as may be notified as on the date of request.
2. The individuals employed in the industries as mentioned in 1 above. The relief will be provided if their employment/salary payments have been impacted and a supporting documentary proof is submitted in this regard.
3. To the customer where he or his immediate family member has been affected by COVID Virus. Relevant supporting documents shall be required to be furnished by such customer along with request in this regard.



4. For the customer not falling under any of the above mentioned categories (including the salaried customer), the relief, or any exception to this Policy may be granted on case to case basis as per the approved authority.

## **B. Restrictions**

The Company may not grant relief option in the following cases:

1. Customer falling in sub clause 1 to 3 of Clause A above if all or any of the contract of the customer is overdue for 90 days or more as on 29<sup>th</sup> February 2020.
2. Customer falling in sub clause 4 of Clause A above if all or any of contract of the customer is overdue for 30 days or more as on 29<sup>th</sup> February 2020.
3. Finance Lease contracts.
4. Loans disbursed after 1<sup>st</sup> March 2020.

## **C. Key Points**

The following points shall be kept in mind:

1. The above referred relief can only be provided on the basis of request received from the customer in the format shared by the Company and will be subject to approval by the Company.
2. The eligible customer must have approached the Company at least 10 working days before the EMI due date for that EMI to be considered as part of the Moratorium.
3. There will be no refund for the EMI/Interest paid prior to the acceptance of the request by the Company.

## **Asset classification**

1. The moratorium pursuant to COVID Guidelines as mentioned hereinabove in clause 2.14 of the policy is being provided specifically to enable the borrowers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower as per Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 ("Prudential Framework"). Consequently, such a measure, by itself, shall not result in asset classification downgrade.
2. The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule.
3. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs).

**Annexure II**

Pursuant to the Interest Circular, the Company will refund/ adjust the 'interest on interest' charged to the borrowers, if any, during the moratorium period, i.e., from 1<sup>st</sup> March, 2020 to 31<sup>st</sup> August, 2020 in conformity with the judgement pronounced by the Hon'ble Supreme Court of India in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021.

Such refund/ adjustment will be made in line with the following clauses:

- A. Loans Covered: All financial products of the Company covered.
- B. Eligible Accounts:
1. Borrower accounts must be standard as on 29.02.2020.
  2. All accounts where compound interest/interest on interest/ penal charge for non-payment/delayed payment was applied during moratorium.
  3. Accounts having outstanding less than Rs.2 Crore where refund was not provided under the Scheme for grant of Ex-Gratia Payment of difference between compound interest and simple interest for six months to borrowers in specific Loan Accounts (1.3.2020 to 31.8.2020) (hereinafter referred to as 'Ex-gratia Scheme'), due to any reason also to be included.

The following shall not be eligible for refund:

- Accounts classified as NPA as on 29<sup>th</sup> February 2020.
- Loan facilities which were charged with simple interest.
- Accounts already refunded interest on interest under Ex-gratia Scheme.

C. Calculation of Refund:

1. Daily outstanding balance to be reckoned for calculation of interest.
2. Any enhancement / fresh limits sanctioned and disbursed/reduction in limits between 01.03.2020 to 31.08.2020 to be reckoned for calculation of interest.
3. Repayments of interest and instalments in accounts of borrowers during the moratorium period to be considered for working out the difference between simple and compound interest.
4. Any penal charge on account of delay/ non-payment of instalments/ interest applied in a facility to be excluded while calculating the outstanding balance as it is to be refunded.
5. For the loan accounts closed during the moratorium period, interest will be calculated up to one day prior to the closure date.
6. No refund to be made in case of cheque bounce charges, Sold Out of Trust (SOT) penalty and retail offset charges.

D. Key Points:

1. An account eligible for refund only if compound interest/ interest on interest/ penal charge has been applied during the moratorium.
2. Accounts where compounding interest/ interest on interest/ penal charge for non-payment/ delayed payment has not been applied during the moratorium will not be eligible for refund of interest.
3. In case of accounts with simple interest, "if simple interest was capitalized on monthly or quarterly basis during the moratorium period, resultant interest on interest during the moratorium period shall be refunded".
4. Refund to be provided whether moratorium was availed or not.

5. The interest amount refunded relating to year 2020-21 to be reduced from the overall interest recovered in the account while giving the interest certificate as the actual reversal will happen only in the next financial year.