

JOHN DEERE FINANCIAL INDIA PRIVATE LIMITED

POLICY ON INTEREST RATES, PENAL & OTHER CHARGES**Policy No.** : JDF0054**Prepared By** : Finance and Sales & Marketing**Approved on** : October 26, 2023**Approved By** : Board of Directors**1. SCOPE & PREAMBLE**

This policy is framed in accordance with the RBI guidelines on Fair Practices Code, Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and guidelines on Fair Lending Practice - Penal Charges in Loan Accounts.

Finance & Accounts and Sales & Marketing Department of John Deere Financial India Private Limited (Company/ JDFIPL) in consultation with Managing Director shall be responsible for maintaining, updating and implementing this policy. Any amendments to this policy needs prior approval of the Board of Directors with a recommendation from Pricing Committee of the Company.

2. Objective

The policy has the following objectives:

- Promote fair practices by adopting clear principles and rationale for the interest rate charged and other charges recovered from the customers
- Increase transparency on the interest rate
- Foster customer confidence on the Company

3. Interest Rate Methodology

Company provides funding to the borrowers by way of fixed rate of interest calculated by taking into account the different factors mentioned in this policy.

Determining the rate of interest for loans is depends on the following factors:

i. Cost of funds: The Company borrows funds through various long term and short term sources including term loans, Non- Convertible Debentures, Working Capital, Commercial papers, Inter Corporate Deposits etc. Weighted Average cost of all borrowings (including other costs like Processing Fee, brokerage etc.) net of treasury income (income earned over investment of surplus funds) over Assets under Management/ Loan Assets will be considered for benchmark calculation.

ii. Operational Expenditures: It includes all fixed and variable operation cost including employee expenses, administration expenses, sales and marketing expenses etc.

iii. Risk Premium: Base risk premium to cover business related risks/ expected credit cost (provisions and write-offs) over AUM. The premium will also vary depending on degree of risk involved in lending which includes type of product, general economic condition, mode of repayment by customer, Geography, customer category, probability of default, LTV etc.

Other factors affecting rate of interest are:

- Interest rate risk
- Credit and default risk in the related business segment

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- Historical performance of similar clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Type of hypothecated asset
- Subvention available, if any.
- Ticket size of loan
- Credit Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer Indebtedness (other existing loans)
- Competitive benchmarking
- Future potential
- Customer business associations (Customer Profiling- Corporate/Individuals etc.)
- Management as well as experience
- RBI Policy Rates

The rate of interest for the same product and tenor by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.

4. Approach towards interest rate and gradation of risk

JDFIPL decision on interest rate and gradation of risk are determined on a case-to-case basis taking in to account various factors in addition to above like cash flows and other financial obligations, , crops grown, work orders in hand, profile of institution granting work order and source of different revenues . JDFIPL also apply the internal risk assessment tool while analyzing the risk of each application based on which the gradation of risk is done.

The information collected from customer, market and other sources are used for assessment which also includes Credit bureau information. JDFIPL Credit policy and process will be guiding principle for credit assessment and approach. JDFIPL Management use its discretion to charge different interest rates on case to case basis depending on the perceived risk based on available facts and circumstances. Hence there is possibility of charging different interest rates to different customers at same time even though the product and terms remain same.

5. Penal charges

- a. JDFIPL to promote financial discipline and to discourage intentional delinquency and encourage prompt repayment of instalments as per the Loan, Hypothecation and Guarantee Agreement of the Company entered with every borrower includes the provisions for penal charges up to 3% per month (up to 36% per annum), which will be calculated based on simple interest. In deserving cases, aggregate penal charges amount can be settled, waived or reduced at the rates lower than 3% per month as per the Authorisation Matrix.

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- b. Penalty, if charged, towards non-compliance of any 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.
- c. Penal charges shall not be capitalized i.e., no further interest shall be computed and charged on such charges.
- d. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract.
- e. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.

6. Other charges

In addition to interest, various additional financial charges such as processing fees, origination fees, cheque bouncing charges, late payment charges, rescheduling charges, pre-payment/foreclosure charges, part disbursement charges, charge creation, cheque swap charges, security swap charges, charges for issuing statement accounts, and any other charges incurred by the company in recovering loan installments from the borrower will be imposed by the company whenever deemed necessary. Along with these charges, stamp duty, goods and services tax, and other applicable taxes will be collected at the rates applicable at the given time.

7. Communication

Interest rates/ other charges would be intimated to the customers at the time of loan sanction by the Company. This policy may also be updated on the website of the company. Further, changes in the rates for the existing customers will be communicated directly.

8. Document change record

Details of any changes in the policy shall be entered in the Document Change Records table as below.

Document Change Records					
Sr. No.	Revision no./ date	Section Revised/ Page No.	Reason change	For	Change Description
