

Policy For Determining Interest Rates, Processing And Other Charges

Interest Rate Model

Loan Assets created by TCL shall be priced primarily based on the market borrowing (cost of funds) and risks associated with the quality of the counterparty and their possibility of default. The cost of funds represented by the borrowing rate of Tata Capital varies according to market conditions and, thus, the pricing of new loans is impacted by any change in the cost of funds.

In addition to the cost of funds, Tata Capital considers cost of capital, credit risk premium associated with particular borrowers or pools of borrowers, administrative costs and profit margin while deciding the pricing, besides the current level of interest in the market for similar lending activity.

The borrowing rate for Tata Capital is dependent on the maturity period for which the funds are borrowed. Similarly, the loan assets are priced based on the borrowing rate corresponding to the maturity or tenor for which the asset is created. In case of floating rate loan assets, the pricing is based on cost of funds or borrowing rate corresponding to the reset period or similar such parameter.

Based on the above, the Company's Benchmark Prime Lending Rate as on May 13, 2009 is 15.50% p.a.

Penal Interest / Late Payment Charges

As a deterrent against intentional delinquency and to encourage prompt and timely repayment of installments, the Loan Agreement provides for penal interest of upto 3% per month calculated on a simple interest basis. However, in most cases, such delayed interest is recovered @ 2% per month or lower for the delayed period on a simple interest basis. In deserving cases, such interest is settled at much lower rates or waived as per the Authorization Matrix

Processing/ Documentation And Other Charges

All processing/documentation and other charges recovered are expressly stated in the Loan Agreement. They vary based on the asset financed, the exposure limit, expenses incurred in the geographical location, customer segment and generally represent the cost incurred in rendering services to the customers.

Effective From	LTLR	STLR
8 th August 2013	18.25%	17%