Tata Capital Limited

POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND OTHER CHARGES

1. Background

In accordance with the provisions of the relevant Reserve Bank of India (“RBI”) guidelines, the Board of Directors of all Non-Banking Financial Companies (“NBFC”) are required to adopt an interest rate model, considering relevant factors such as cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances. Further, the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the application form and sanction letters.

2. Objective of the Policy

To disclose the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged to customers.

3. Ownership and Review process

- The Board of Directors of Tata Capital Limited (“the Company” or “TCL”) shall have oversight on the framework for determination of interest rates. To ensure effective implementation of this Policy, the Board may delegate certain operational aspects to management level Asset Liability Committee (“ALCO”), as deemed fit.
- The ALCO shall review the benchmark rate on a quarterly basis or earlier, if required, and changes proposed, if any, shall be accordingly approved by the ALCO.
- Management teams across businesses can have their internal pricing policies under the overall framework of this Policy for deciding the spreads to arrive at final rate. Any changes to business level internal pricing policies, if any, will be approved by the competent committee of the said businesses.

4. Interest Rate Model

The Company being a diversified NBFC lends money through various products to cater to the financial needs of different category of customers. The Benchmark rate(s) of the Company is calculated based on various factors such as the cost of funds, fund raising cost, liquidity / risk premium, carry on investments, operating expenses ratio, profit margin, the current level of interest in the market for similar lending activity, etc.

The borrowing rate for the Company 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 the Cost of Funds (“COF”) or borrowing rate corresponding to the reset period or similar such parameter.

Based on the above, the new benchmark Prime Lending Rates (“PLR”) shall be as follows with effect from a date approved by Managing Director & CEO of the Company:

Particulars	**Floating Rate p.a.**
TCL Retail PLR (“TCL RPLR”)	11.30%
TCL Short-Term PLR (“TCL STPLR”)	9.40%
TCL Long-Term PLR (“TCL LTPLR”)	8.55%

The following benchmark PLRs will continue for all existing loan contracts as also for new contracts booked prior to the effective date of the new PLRs as mentioned above -

Particulars	Floating Rate p.a.
Long Term Lending Rate*	21.80%
Short Term Lending Rate*	20.60%
Mortgage Prime Lending Rate (“MPLR”) *	20.00%
Long Term Lending Rate (“LTLR”) **	21.60%
Short Term Lending Rate(“STLR”) **	20.10%
New Prime Lending Rate – Long Term (“NPLR – LT”) **	19.35%
New Prime Lending Rate – Short Term (“NPLR – ST”) **	17.85%

* Applicable to customers of erstwhile Tata Capital Financial Services Limited
** Applicable to customers of erstwhile Tata Cleantech Capital Limited

5. Principles and procedures for charging spreads to calculate final rate.

The rate of interest for loans offered by various business segments is arrived after adjusting for spread by the relevant business segment. Some of the key factors (illustrative but not exhaustive) considered by businesses for calculating spreads are given below:

- Interest rate volatility risk
- Credit and default risk in the related business segment
- Behavioural performance of similar homogeneous cohort of customers
- Profile of the customer
- Industry segment of the customer
- Repayment track record of the customer
- Nature and value of collateral security, if any
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Delinquency and collection performance of the relevant geography of the customer
- Existing indebtedness of the customer

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

6. 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.

7. Change in Lending Rate

The ALCO of the Company is authorized to make modifications in the benchmark PLRs of the Company, if required, from time to time. The revisions in the interest rates, processing, documentation, and other charges shall be periodically reported to the Board.

8. Communication Framework

Interest rates would be intimated to the customers at the time of sanction / availing of the loan. Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges would be uploaded on the web site of the Company. Changes in the underlying benchmark are available on public domain such as RBI, Bank, and company website. Any changes in the spread and/or charges for existing customers would be communicated to them through acceptable modes of communication such as letter, email, SMS, etc.