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RECOMMENDED BY	Shishir Bhushan, Managing Director
APPROVED BY	Board of Directors

PURPOSE

This policy document defines the applicable policy to guide prospective customers of the NRFSI on the internal principles and procedures followed in determining interest rates and fixing of processing and other charges. The objective is to bring in transparency in the process.

SCOPE

This policy designs the principles and procedures followed by NRFSI in determining interest rates and other charges and process to be followed for revising the same. It applies to Wholesale Financing and Retail Financing businesses.

APPLIES TO

This policy applies to ALCO committee, Wholesale Risk/Retail Risk teams. They are required to acknowledge having read the policy document and sign a letter of spirit of adherence to the policy in the normal course of business.

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1. OBJECTIVES

This policy designs the principles and procedures NRFSI would follow in determining the interest rates, processing fee and other charges applicable to its customers for Dealer Wholesale Financing, Personal Loans to group employees and Retail Financing new and used cars.

This Policy applies throughout NRFSI in the document and must be implemented by NRFSI's CFO and Head of Risk Management in coordination with the Managing Director.

This policy is prepared based on the regulations issued by Reserve Bank of India (RBI) vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised to the Boards of Non-Banking Financial Companies. Finance Companies ("NBFC") to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. Further, RBI vide circular DNBS (PD)C.C. No. 133 /03.10.001/ 2008-09 January 2, 2009, advised the NBFCs to adopt appropriate interest rate models taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers.

2. PRINCIPLES FOR DETERMINING INTEREST RATES

The interest rate for the product will be decided by the ALCO committee or any other sub-committee to the Board considering the following factors:

- (i) the cost of funds, 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;
- (ii) Profile of the customers, qualification, subventions, schemes, promotion campaign, subsidies available, permitted deviations, ancillary business opportunities and the future potential business anticipated by the Management;
- (iii) Group strength and value to lender group, overall customer yield, nature and value of primary and collateral security, past repayment track record of the customers.

NRFSI follows a discrete interest rate model / policy whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors which are listed above.

While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration in addition to factors listed above.

3. RATE OF INTEREST

The interest rates would be offered on fixed, floating - (variable) basis. The floating rates would be decided on periodic intervals at monthly / bi monthly / quarterly intervals depending upon various market factors.

The rate of interest would be intimated to the customer.

The interest reset period in case of variable loans would be decided by NRFSI from time to time.

The interest would be charged on monthly or longer rests based on the product to product.

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

The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed unless communicated to the customer explicitly in the sanction letter.

Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and manner deemed fit by NRFSI.

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 NRFSI.

4. WAIVERS/REFUNDS

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

5. EXCEPTION APPROVAL & REVIEW

The Board of Directors of NRFSI would review the policy based on business requirements. Any deviations to the policy would be approved by the Managing Director.

6. RULES FOR CONTROLLING THE APPLICATION OF THE POLICY

Application of this Policy is to be controlled by internal control, external audit and shareholders' audits.