FINOVA CAPITAL
FINANCING DREAMS

INTEREST RATE POLICY

Interest Rate Policy

Policy for Determining Interest Rates, Processing and Other Charges

Overview:

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013 have directed all NBFCs to make available the rates of interest and the approach for gradation of risks on the website of the NBFCs.

Accordingly, Finova Capital Private Limited ("FCPL") is publishing this Policy for Determining Interest Rates, Processing and Other Charges in order to ensure transparency to conform to the stipulations of RBI's directives, and shall be applicable till further notice.

This policy details the principles for determining interest for loans provided by FCPL:

- Lending rates are calculated taking into consideration FCPL's weighted average cost of funds, credit costs, overheads and other administrative costs.

- The weighted average cost of funds depends on the different types of funding sources tapped by FCPL to fund its business. These are an amalgamation of equity, bank loans, debentures, commercial papers and other money market instruments.

- The interest rate for loans for different business segments and products within that business segment differ due to the nature of the segment or product.

- The interest rate for any business segment or product would incorporate FCPL's cost of funds, cost on account of risk and tenor for the concerned business segment / product, business / product specific operating cost and margin.

- Some of the key factors / gradations of risk that impact interest rate are:

• Business risk, industry risk, market position, market reputation, vintage of the business, competition

- Size and nature of the business, geographic location of the borrower
- Historical performance of similar homogenous pools of borrowers
- Profile and incorporation of the borrower, strength and experience of group
- Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources
- Credit and default risk in the related business segment / product e.g. interest rate may be higher for borrowers with lower credit scores / ratings
- Nature and value of primary collateral and additional security
- Existing and as the case may be, future financial position of the borrower, sustainability of cash flow of the borrower
- Financial flexibility of the borrower
- Tenure of the loan e.g. interest rate may be higher for longer tenure loans
- Interest rate trend prevailing in the money market

\- The rate of interest for the same product and duration need not be standardized. It could vary for different customers depending any one or a combination of the above factors.

\- Interest rates could be fixed or floating. Floating rate loans are benchmarked either to the commercial paper benchmark (FIMMDA - Thomson Reuters 3 month Commercial Paper Benchmark <0#INFIMCPBMK>) or SBI Base Rate or to such benchmark as FCPL may deem fit.

- Interest rates could be reset as decided by FCPL from time to time.

- Applicable interest rates would be communicated to the borrower through detailed sanction letters. The sanction letters shall clearly state the terms and conditions of the loan and also the annualized interest rate applicable on the loan. The borrower shall also be provided with a copy of the repayment schedule that shows the breakup of principal and interest that are payable by the borrower.

- Interest shall be payable monthly or quarterly, in advance or in arrears, depending on the business segment and the product.

- All amounts, including interest and principal shall be payable immediately on the due date as provided in the repayment schedule and no grace period for any payments is allowed.

- As a deterrent against willful delinquency, and to encourage adherence to the terms and conditions of the loan agreement, FCPL may charge an additional / penal interest rate depending on the business segment / product and benchmarked against market / competitive conditions.

- Any changes in the applicable interest rate would be communicated to the borrower in a manner as detailed in the loan agreements or in an adequately suitable mode and manner.

- Moreover, FCPL may also charge other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, reschedulement charges, prepayment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc. wherever considered necessary.

- All processing / other charges would vary depending on the business segment / product, assets being financed, expenses incurred in the geographical location / customer segment and generally represent the cost incurred in rendering service to the customer.

- A prepayment / foreclosure charge will be charged based on the costs incurred by FCPL, including but not limited to break costs, customer acquisition costs and business segment / product.

- For individual borrowers, the prepayment charges for floating rate loans will be NIL.

- FCPL shall also collect any applicable stamp duties, service taxes and other cesses that may be applicable at the time of sanction / disbursal. Any revision in these charges would be from prospective effect.

- FCPL would also benchmark itself against prevailing practice followed by its competitors in the market to determine the applicable rate of interest for any business segment / product.

- FCPL reserves the sole right to decide on any refund or waiver of charges / penal interest / additional interest.
- As each transaction we enter into is individually assessed, we do not publish interest rates.

- Any revision in the Policy for Determining Interest Rates, Processing and Other Charges would be reviewed by the Risk and Finance Team and recommended to the Board for approval.

FINOVA CAPITAL PVT. LTD. JAIPUR