

POLICY FOR DETERMINING INTEREST RATES AND PROCESSING AND OTHER CHARGES

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POLICY FOR DETERMINING INTEREST RATES AND PROCESSING AND OTHER CHARGES

INTEREST RATE:

The interest rates charged by ECLFL shall be linked with the ECLFL Prime Lending Rate (ECLFPLR). ECLFPLR shall be determined by the Operations Committee of the ECLFL on the basis of the cost of borrowing of ECLFL, operating cost, liquidity and interest rate trend in the market and return on equity. The Operations Committee shall review ECLFPLR on such periodicity as may be deemed necessary by the Operations Committee and modify the same depending upon the market trends. The Operations Committee will adopt the basic formula as provided at the end of this document for determining ECLFPLR with such modification as may be deemed necessary by the Operations Committee.

The interest rate shall be linked to ECLFPLR and spread (plus or minus) will be determined by the sanctioning authority on the basis of nature and duration of loan, nature of security, liquidity of security, credit worthiness and track record of the borrower, risk perception and negotiations with the borrower.

All the loans made by ECLFL with the maturity period of above six months shall generally provide for reset of interest rate unless sanctioning authority decides for a fix rate of interest. The sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing ECLFPLR.

In the negotiated deals, the Operations Committee may agree to link the interest rate to Prime Lending Rate of agreed Schedule Bank or to MIBOR or some other reference rate.

Calculation of ECLFPLR (For Incremental Loan on a Base Amount of INR 100)				
				Fig in INR
A	Fund Requirement for Loan Amount of INR 100			
a.1	Loan Amount			
a.2	RBI Capital Adequacy Requirement (CRAR) Current : 12%; Proposed from Apr-09: 15%			
B	Funding Composition			
b.1	Own Capital			
b.2	Borrowed Funds			
C	Funding Cost			
c.1	Cost of Own Capital (Assumed flat rate of 12%)			
c.2	Borrowing Cost (Weighted Rate for last 6 months + 200 Basis point spread)			
D	General Provisioning for Standard Assets			
E	Risk Margin (Taken at 400 Basis point due to Business Risk, High Leverage, Concentration of Collateral & ability to liquidate collateral)			
Finance Prime Lending Rate (ECLFPLR)				

INTEREST RATE FOR LOAN AGAINST PROPERTY (LAP):

The interest rates charged by ECLFL shall be linked with the ECLFL Mortgage Reference Rate (ECLFLMRR). ECLFLMRR shall be determined by the Operations Committee of the ECLFL on the basis of the cost of borrowing of ECLFL, operating cost, liquidity and interest rate trend in the market and return on equity. The Operations Committee of the Board of Directors of ECLFL shall review MRR on such periodicity as may be deemed necessary by the Operations Committee of the Board of Directors of ECLFL and modify the same depending upon the market trends. The Operations Committee of the Board of Directors of ECLFL will adopt the basic formula as provided at the end of this document for

determining ECLFLMRR with such modification as may be deemed necessary by the Operations Committee of the Board of Directors of ECLFL.

The interest rate shall be linked to ECLFLMRR and spread (plus or minus) will be determined by the sanctioning authority on the basis of nature and duration of loan, nature of security, liquidity of security, credit worthiness and track record of the borrower, risk perception and negotiations with the borrower. All the loans made by ECLFL shall generally provide for reset of interest rate unless sanctioning authority decides for a fix rate of interest. The sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing MRR.

Calculation of MRR (For Incremental Loan on a Base Amount of INR 100)				
				Fig in INR
A	Fund Requirement for Loan Amount of INR 100			
a.1	Loan Amount			
a.2	RBI Capital Adequacy Requirement (CRAR) Current : 15%			
B	Funding Composition			
b.1	Own Capital			
b.2	Borrowed Funds			
C	Funding Cost			
c.1	Cost of Own Capital (Assumed flat rate of 12%)			
c.2	Borrowing Cost (Weighted Rate for last 6 months + 200 Basis point spread)			
D	General Provisioning for Standard Assets			
E	Risk Margin			
ECL Finance Mortgage Reference rate (ECLFLMRR)				

INTEREST RATE FOR SMALL AND MEDIUM ENTERPRISE LOANS (SME LOANS):

The interest rates charged by ECLFL shall be linked with the ECLFL Small and Medium Enterprise Reference Rate (ECLFLSMERR). ECLFLSMERR shall be determined by the Operations Committee of the Board of Directors of ECLFL on the basis of the cost of borrowing of ECLFL, operating cost, liquidity and interest rate trend in the market and return on equity. The Operations Committee of the Board of Directors of ECLFL shall review ECLFLSMERR on such periodicity as may be deemed necessary by the Operations Committee of the Board of Directors of ECLFL and modify the same depending upon the market trends. The Operations Committee will adopt the basic formula as provided at the end of this

document for determining ECLFLSMERR with such modification as may be deemed necessary by the Operations Committee of the Board of Directors of ECLFL.

The interest rate shall be linked to ECLFLSMERR and spread (plus or minus) will be determined by the sanctioning authority on the basis of nature and duration of loan, nature of security, liquidity of security, credit worthiness and track record of the borrower, risk perception and negotiations with the borrower. All the loans made by ECLFL shall generally provide for reset of interest rate unless sanctioning authority decides for a fix rate of interest. The sanctioning authority shall decide the periodicity of interest reset. The reset shall be linked to the prevailing ECLFLSMERR.

Calculation of SMERR (For Incremental Loan on a Base Amount of INR 100)				
				Fig in INR
A	Fund Requirement for Loan Amount of INR 100			
a.1	Loan Amount			
a.2	RBI Capital Adequacy Requirement (CRAR) Current : 15%			
B	Funding Composition			
b.1	Own Capital			
b.2	Borrowed Funds			
C	Funding Cost			
c.1	Cost of Own Capital (Assumed flat rate of 12%)			
c.2	Borrowing Cost (Weighted Rate for last 6 months + 200 Basis point spread)			
D	General Provisioning for Standard Assets			
E	Risk Margin			
ECL Finance Small and Medium Enterprise Reference rate(ECLFLSMERR)				

PROCESSING FEE/UPFRONT FEE

Processing fee shall be determined by the sanctioning authority on the basis of the quantum of work involved in credit appraisal, volume of documentation involved, other expenses involved in the transaction and negotiation with client. The Operations Committee of the Board of Directors of ECLFL may from time to time review the guidelines for charging processing fee or prescribe fixed processing for a particular product. The sanctioning authority shall have power to waive the processing fee on case to case basis.