

INTEREST RATE POLICY

1. Introduction

CATERPILLAR FINANCIAL SERVICES INDIA PRIVATE LIMITED (“**CFSI**” or “**Company**”) is a Non-Banking Financial Company (“**NBFC**”) operating under Reserve Bank of India (“**RBI**”) regulations/directions and its activities are governed by the various Indian laws and RBI regulations/directions. **CFSI** is committed to and conducts its business activities lawfully and in a manner that is consistent with its compliance obligations and meets the highest ethical standards.

The Reserve Bank of India (“**RBI**”) *vide* its circular dated May 24, 2007 (DNBS.PD/CC.No.95 /03.05.002 /2006-07) had directed the Non- Banking Finance Companies (“**NBFCs**”) to set out appropriate internal principles and procedures in determining interest rates and processing and other charges. In continuation of the above circular, the RBI *vide* its circular dated January 2, 2009 (DNBS.204/CGM (ASR)-2009) has reiterated the directions.

Keeping in view the RBI's guidelines as cited above, guidelines as amended from time to time, and the good governance practices, **CFSI** had adopted the following internal guidelines, policies, procedures and interest rate model have been adopted by **CFSI** for its lending business (“**Policy**”).

2. Interest Rate Model

Interest rates offered by **CFSI** are on a fixed rate basis. The range of interest is as follows:

The present rate of interest charged to our customers does not exceed 15% per annum and payable monthly.

A. In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer either as an addendum / additional annexure to the agreement/term sheet. However, all the relevant formalities (e.g. further legal documentation, approval of customer, certification of **CFSI** officials etc.) relating to such change shall be documented and a copy of the same shall also be sent to the customer. The same may be communicated through electronic media or any other form of communication. The acknowledgement of the receipt of the said additional document shall also be preserved on the records by **CFSI** officials.

Apart from the normal Interest, **CFSI** may also charge additional interest for adhoc facilities, penal interest/default interest for any delay or default in making payments of any dues. The loan

agreement and sanction letter shall contain the details of penal interest charges. Any changes to the interest rates and charges will be on prospective basis.

Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment charges, cash handling charges, RTGS/other remittance charges, commitment fees, charges on various other services like issuing no due certificates, no objection certificate, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by CFSI wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.

CFSI would not normally entertain claims for refund or waiver of charges/ penal interest/additional interest. It is the discretion of CFSI to deal with such requests, if any.

3. Approach for Gradation of Risk

The risk premium for a customer shall be assessed, *inter alia*, after taking into account these factors:

- profile and reputation of the customer;
- Credit rating of the customer
- internal credit policies of CFSI
- nature of the facility, eligibility of the customer, loan to value of asset financed;
- relationship history with the customer;
- type of asset being financed;
- market risk;
- interest, default risk in related business segment;
- regulatory stipulations, if applicable;
- any other relevant factor.

4. Review/ Changes

The Policy shall be reviewed once in a year or in between if required due to changes required in the model. Any changes in the policy, except as required by legal and regulatory changes, shall be made with the approval of the Board of Directors of CFSI.