POLICY FOR DETERMINING INTEREST RATES, PROCESSING AND OTHER CHARGES

1. INTEREST RATE MODEL

Loan Assets created by Tata Cleantech Capital Limited ("TCCL" or "Company") are priced primarily based on the Cost of funds and risks associated with the quality of the counterparty and their possibility of default. The cost of funds represented by the borrowing rate of TCCL varies according to market conditions and thus, the pricing of new loans is impacted by any change in the cost of funds.

In addition to the cost of funds, TCCL considers cost of capital, credit risk premium associated with particular borrowers or pools of borrowers, tenor of the loan, administrative costs and profit margin while deciding the pricing, besides the current level of interest in the market for similar lending activity.

The borrowing rate for TCCL 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 cost of funds or borrowing rate corresponding to the reset period or similar such parameter.

Based on the above, the Company's Benchmark Prime Lending Rate ("BPLR") is as under:

a) Long Term Lending Rate ("LTLR"): 18.00% p.a.
b) Short Term Lending Rate ("STLR"): 16.50% p.a.

The above mentioned LTLR/STLR is applicable for all loans originated and disbursed until end of business on March 31, 2017. It is expressly clarified that against sanctions given on/or prior to March 31, 2017, all subsequent disbursements will be mapped to erstwhile LTLR/ STLR. There are no new loan sanctions from April 1, 2017 till April 25, 2017.

The above mentioned BPLRs were determined during the month of November, 2011. Between the period from November, 2011 to March, 2017, the Reserve Bank of India ("RBI") has reduced the Repo Rate from 8.50% to 6.25% which is a drop of 225 bps. Considering this change in repo rate, a second set of Prime Lending Rates ("PLRs") for all loans disbursed after April 26, 2017 are stipulated as follows:

Accordingly, the New PLR for Short Term ("ST") and Long Term ("LT") would be as under:

a) NPLR - ST (For loan with maturity less than one year) : 14.25 %
b) NPLR - LT (For loan with maturity greater than one year): 15.75%

Until loans sanctioned on/or prior to end of business on March 31, 2017, (whether disbursed prior or subsequent to April 1, 2017), continue there would be two sets of PLRs operating parallel but for different sets of contracts. Once all loans outstanding on as above are fully paid up/ matured, the earlier BPLRs would automatically stand extinguished.

2. PENAL INTEREST / LATE PAYMENT CHARGES

As a deterrent against intentional delinquency and to encourage prompt and timely repayment of installments, the Loan Agreement provides for penal interest of upto 3% per month calculated on a simple interest basis. However, in most cases, such delayed interest is recovered @ 2% per month or lower for the delayed period on a simple interest basis. In deserving cases, such interest is settled at much lower rates or waived as per the Authorisation Matrix.

3. 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.

4. CHANGE IN SHORT TERM / LONG TERM LENDING RATE

The Managing Director of the Company may authorize the change in short term / long term lending rates as per the regulatory and / or business requirements of the Company subject to noting at the ensuing Board Meeting.