

## ANNUALISED COST TO THE CUSTOMER MODEL FOR LEASING

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. Further vide circular DNBS (PD) C.C. No. 133 / 03.10.001/ 2008-09 January 2, 2009, RBI further advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest.

Cheraman Financial Services Ltd is offering equity financing and financial leasing products to the customers. This policy applies to the financial leasing products. The periodical lease rental will be computed upfront considering the cost of machinery and the Annualised Cost to the Customer (all in cost). The Annualised Cost to the Customer (all in cost) will be computed considering cost of funds of the business, risk premium, cost of operations and profit margin.

Keeping in view the RBI's guidelines as cited above, the nature of products of the company and the good governance practices, the Board of Cheraman Financial Services Ltd (Company) had adopted the following internal guidelines, policies, procedures and Annualised Cost to the Customer ( all in cost) model for its leasing business. This policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The Company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

### Methodology

The Annualised Cost to the Customer (all in cost) for each of the lease product would be decided by Credit Committee from time to time. The average yield on lease products and minimum rate of Annualised Cost to the Customer (all in cost) under each product line would be decided from time to time by the Credit Committee after giving due consideration to the following:

- Cost of funds of the business ( in case of equity funds, the opportunity costs)

- Operating cost in our business and maintaining the stakeholders expectations for a reasonable, market-competitive rate of return;
- Inherent credit and default risk in our business, particularly trends with sub-groups / customer segments of the lease portfolio;
- Nature of leasing, for example collateral/non collateral, and the associated tenure;
- Subventions and subsidies available, if any
- Risk profile of customer - professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential etc.
- Industry trends - offerings by competition

#### Annualised Cost to the Customer (all in cost) Policy for leasing business

The company shall adopt a discrete Annualised Cost to the Customer (all in cost) policy which means that the rate of Annualised Cost to the Customer (all in cost) for same product and tenure availed during the same period by separate customers would not be standardized but could vary within a range, depending, amongst other things, the factors mentioned above.

The Annualised Cost to the Customer (all in cost) offered could be on fixed basis or floating / variable basis. Changes in Annualised Cost to the Customer (all in cost) would be decided at any periodicity, depending upon market volatility and competitor review.

Besides normal Annualised Cost to the Customer (all in cost), the company may levy additional Annualised Cost to the Customer (all in cost) for any delay or default in making payments of any dues. The levy or waiver of the additional Annualised Cost to the Customer (all in cost) for different products or facilities would be decided within the limits prescribed under the policy.

The Annualised Cost to the Customer (all in cost) re-set period for floating / variable rate leasing would be decided by the company from time to time, applying the same decision criteria as considered for fixing of Annualised Cost to the Customer (all in cost). Annualised Cost to the Customer (all in cost) would be charged, and recovered on a monthly or quarterly basis. Specific terms in this regard would be addressed through the relevant product policy.

Annualised Cost to the Customer (all in cost) would be intimated to the customers at the time of sanction / availing of the loan and the EMI apportionments towards Annualised Cost to the Customer (all in cost) and principal dues would be made available to the customer.

Annualised Cost to the Customer (all in cost) shall be deemed payable immediately on due date as communicated and no grace period for payment of Annualised Cost to the Customer (all in cost) is allowed. Annualised Cost to the Customer (all in cost) changes would be prospective in effect and intimation of change of Annualised Cost to the Customer (all in cost) or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.

Besides Annualised Cost to the Customer (all in cost), other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax, VAT and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided upon collectively by the management of the Company. The practices followed by competitors would also be taken into consideration while deciding on Annualised Cost to the Customer (all in cost)/ charges.

Annualised Cost to the Customer ( all in cost) models, and other charges, and their periodic revisions are made available to our prospective and existing customers through our offices and branches. Prior to entering into an agreement with our customers, we provide them with our statement of charges and Annualised Cost to the Customer ( all in cost) and address their queries and questions on the same, to their satisfaction. Our field officers ensure charges and rates of Annualised Cost to the Customer ( all in cost) are explained clearly and transparently to the people who may be interested in our products.

Claims for refund or waiver of such charges / additional Annualised Cost to the Customer ( all in cost) would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

Disclosure Under Para 2 (Viii)(b) of RBI Master Circular DNBS(PD)CC No.  
340/03.10.042/2013-14 dt 01/07/2013

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PRESENT ANNUALISED COST TO THE CUSTOMER- ALL INCLUSIVE FOR LEASING ( AS AT  
13/06/2014)

Minimum annualised cost to the customer (all inclusive) - 12.5%

Maximum annualised cost to the customer (all inclusive) - 20%

For Cheraman Financial Services Ltd



MANAGING DIRECTOR