All NBFC-MFIs

Dear Sirs,

‘Non-Banking Financial Company-Micro Finance Institutions’ (NBFC-MFIs) – Directions – Modifications in “Pricing of Credit”

Please refer to paragraph 6 of circular DNBS.(PD)CC.No.300/03.10.38/2012-13 dated August 3, 2012 modifying, inter alia, the provisions related to “Pricing of credit” as given in the notification DNBS. PD.No.234 / CGM (US)-2011 dated December 02, 2011.

2. On a review, it has been decided that the interest rates charged by an NBFC-MFI to its borrowers will be the lower of the following:

i. The cost of funds plus margin as indicated in the company circular DNBS. (PD)CC.No.300/03.10.38/2012-13 dated August 3, 2012 read with circular DNBS(PD) CC.No.327/03.10.038/2012-13 dated May 31, 2013; or

ii. The average base rate of the five largest commercial banks by assets multiplied by 2.75.

The average of the base rates of the five largest commercial banks shall be advised by the Reserve Bank on the last working day of the previous quarter, which shall determine interest rates for the ensuing quarter.

3. The above instructions will come into effect from the quarter beginning April 01, 2014. The Bank will announce the applicable average base rate on March 31, 2014 and every quarter end thereafter.

Yours faithfully,

(N.S.Vishwanathan)
Principal Chief General Manager