

MONEDO FINANCIAL SERVICES PVT. LTD.

INTEREST RATE POLICY

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Background

Pursuant to Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009; and Master Direction NBFC-NSI-ND taking Company (Reserve Bank) Directions, 2016 issued by the RBI to NBFCs for the regulation of interest rate and the prevention of the charging of excessive interest rates, Monedo Financial Services Private Limited (“the Company”) has formulated this Interest Rate Policy (“Policy”) outlining its interest rate model and the Company’s approach to risk gradation in its lending business.

Objectives of the Policy

This Policy outlines Interest rate Model and approach to the gradation of risks. The primary objectives of the Policy are as follows:

- i. To prevent the charging of excessive interest rates;
- ii. To enable Customers know the exact interest rates that will be charged on the loan amount per annum;
- iii. To enable Customers know the conditions upon which the interest rates are arrived at.

Application of the Policy

This policy is applicable to all customers and persons seeking to obtain loans (the “Customer”) from the Company. A copy of this policy is displayed on Company’s website. Monedo may amend this policy from time to time subject to prevailing conditions and will display such updates on its website.

Interest Rate Model

Company’s business model is geared at providing credit only to customers meeting the benchmarks set by Company. Interest Rate Model and Schedules of Charges would be uploaded on the website of the Company and any change in the rate of charge for customer would be uploaded on the website of the Company. The interest rate chargeable to each loan account is assessed on a case-by-case basis, upon an evaluation of factors which are considered below:

- I. Tenor of the Loan & Payment Terms – Monedo takes the term of the loan and terms of payment of interest into consideration in evaluating interest rates;
- II. Internal and External Costs of Funds – the cost of sourcing the funds for providing loans to customers (external cost of fund) and the expected return on equity (internal cost of funds) are also considered;
- III. Internal cost loading –Factors such as the costs of doing business, the complexity of the transaction, capital risk involved, size of the transaction, location of the customer etc. are also given a consideration;

- IV. Credit Risk – the risk of credit loss cost is also taken into consideration in assessing the interest rate chargeable on loan accounts. Monedo internal assessment of the credit strength of a customer is also taken into consideration in determining the amount of credit risk cost applicable to the said customer.
- V. Structuring Premium – In the event that there is a significant structuring element regarding the collateral or other aspects of transaction structure, Monedo may apply a premium to the loan.
- VI. Market Dynamics – the prevailing interest rates offered by other NBFCs for similar products / services as offered by Monedo shall be taken into consideration in assessing chargeable interest rates. The forecasts and analysis of ‘what if’ scenarios’ are also relevant factors for determining interest rates to be charged.
- VII. Other relevant factors such as matching tenor cost, market liquidity, relevant RBI Policies, stability of customers’ earnings and employment history, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options etc. may also be considered by Monedo in determining the interest rate to be charged upon customers.

Approach for Gradation of Risk (AGR)

The factors which are considered in assessing a customer’s risk premium are assessed as follows:

- i. the profile and market reputation of the customer;
- ii. inherent nature of the product, type / nature of facility, loan to value of asset financed;
- iii. history and duration of relationship with the customer, past repayment track record and historical performance of similar clients;
- iv. group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the customer;
- v. nature and value of primary and secondary collateral / security;
- vi. type of asset being financed, end use of the loan represented by the underlying asset;
- vii. interest, default risk in related customer segment;
- viii. the relevant RBI guidelines and other applicable laws;
- ix. any other factors that may be relevant for the gradation of risks on a case by case basis.

Non-Applicability of the Approach for Gradation (AGR)

Monedo reserves the right to determine which of the approaches to the gradation of risks (AGR) it adopts for all its customers. Monedo undertakes to abide by the stipulations in this policy in reaching decisions on applicable interest rates.

Rate of Interest

- I. The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the cost of

funds, the rate of interest shall further be determined based on the inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualification, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers , industry trends etc.

- II. The Company may adopt an interest rate model whereby the rate of interest for same product and tenor availed during same period might differ from customer to customer depending upon consideration of any or combination of a few or all factors listed out in point I above . Hence, the interest rate applied would be different from customer to customer on his/ her loans.
- III. The annualized rate of interest would be intimated to the customer. The interest rates would be offered on fixed, floating and variable basis.
- IV. Interest rates shall be intimated to the customers at the time of sanction/ availing of the loan and the equated instalments apportionment towards interest and principal dues shall be made available to the customer.

Processing Fees / Commitment Fee / Other Charges

Nothing in this policy shall be deemed to deprive Monedo of its right to make necessary charges on a customer as may arise from the said customer's loan account. Such charges include but are not limited to processing fees, bounced back cheques Debit fee, loan termination fees, field collection charges etc. And such other charges arising from a customer's loan account as Monedo may levy against a customer.

For the avoidance of doubt, service tax, levies, cess and other taxes arising from the loan account shall be payable by the customer at applicable rates.

Penal Interest Rate / Charges

Besides the annualized interest, Monedo may levy, penal interest /default interest for any delay or default in making payments of any dues as agreed between the customer and Monedo in the loan agreement. The details of Penal Interest charges for late repayment will be mentioned in bold in the loan agreement and the sanction letter.

Review and Revision

Any revision in the Company's interest rate applicable to business would be reviewed on a need basis by the Board of Directors .