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**MONEDO FINANCIAL SERVICES PVT. LTD.**

**INTEREST RATE POLICY**



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# **INTEREST RATE POLICY**

## **1. Background**

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009; and Master Direction NBFC-NSI-ND taking Company (Reserve Bank) Directions, 2016 to NBFCs to make available the rates of interest and the approach for gradation of risks on the website of the NBFC's. Monedo Financial Services present approach for determining Interest Rate. Processing Fees and other charges in order to ensure transparency to conform to stipulation of RBI's directives and shall be applicable till further notice. This was reiterated vide RBI Circular DNBS(PD) C.C.No. 133/13.10.001/2008-09 dated January 2, 2009.

## **2. Objectives of the Policy**

Keeping in view the RBI's guidelines as cited above, and the good governance practices being followed by the company, the following internal guidelines, policies, procedures and interest rate model have been adopted by the company. The Board of Directors of the Company ("the Board") or any Board constituted Committee ("the Committee) as the case may be, while fixing interest rate chargeable from the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by Reserve Bank of India or such authority from time to time.

## **3. 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.

## **4. Interest Rate Model**

Monedo Financial Services will be lending to various consumer segments across retail space. The Interest Rate are fixed or floating. Charging interest as fixed or floating rate would be decided basis product category, customer segment, competition benchmarking etc. Interest Rate Model and schedule of charges would be uploaded on the website of the Company. Any change in rate and schedule of charges would be updated on Company's website.

## **5. Methodology**



- 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 of 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.

## **6. 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/borrower;
- ii. customer segment;
- iii. past repayment track record of the customer/borrower;
- iv. Tenure of the relationship with customer/group;
- v. nature and value of primary and secondary collateral / security;
- vi. Inherent credit & default risk in the products;
- vii. Regulatory requirement if applicable;
- viii. any other factors that may be relevant to the case.

## **7. 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.



## 8. Disclosure

As per the extant regulations the following disclosures shall be made to the borrowers:

- There shall be appropriate disclosures of the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated in the sanction letter;
- The annualised rate of interest shall be disclosed to the customers;
- Any change in the interest rate or other charges shall be made prospectively and same will be adequately disclosed in the loan agreement.
- The rate of interest of various class of assets as revised from time to time shall also be displayed on company's website;
- Approach for gradation of risk has been elaborated in our Fair Practice Code Policy;
- Considering all above parameters, the Range of Rate of Interest (ROI) and processing fees charges to the customer should be as per the table mentioned below:

S. No.	Type of fees	Interest Rate Range	Type of Interest	Processing Fees
1	Healthcare Finance	Bullet Payment	NA	5%-15% one-time + applicable tax
2	Electric Vehicle Finance	1.5% per month - 3% per month (18% annually - 36% annually)	Fixed	3% - 5% one-time + applicable tax
3	Supply Chain Finance	20% - 30% per annum	Floating	0.5% -3% one-time + applicable tax
4	Consumer Durable Finance	1.5% per month - 3% per month (18% annually - 36% annually)	Fixed	3% - 5% one-time + applicable tax
5	Personal Loan Finance	18% - 40% per annum	Floating	1% - 3% one-time + applicable tax

**\*Company reserve right to change and upload on website.**



## **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.

## **9. Additional /Default Rate:**

Loans remaining unpaid on due dates shall be charged penal interest at such uniform across all product portfolio as mentioned in BOLD in the respective customer agreements.

Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

Further, no category of loans shall bear any pre-payment penalty. There shall be no foreclosure rate/prepayment penalty charged on floating rate of interest loans sanctioned to the individual borrowers as per the extant regulations.

## **10. Review and Revision**

The Board or the committee shall be responsible for the administration, interpretation, application and review of this policy. The Committee shall also be empowered to bring about necessary changes to this policy, if so required at any stage at its own discretion or with the concurrence.