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**MONEDO FINANCIAL SERVICES PVT. LTD.**

**INTEREST RATE POLICY**

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## **INTEREST RATE POLICY**

### **1. Background**

Monedo Financial Services is registered as NBFC with RBI and operates as a Non-Deposit taking Non-Banking Financial Company in terms of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated Oct, 19, 2023 updated as on March 21, 2024.

The RBI SBR Master Directions require the Board of Directors of an NBFC to lay out appropriate internal principles and procedures to determine the interest rates, processing and other charges levied by the NBFC and adopt an interest rate model in this regard.

The interest rate model has to take into account various relevant factors such as cost of funds, margin and risk premium for determining the rate of interest to be charged for loans and advances offered by the NBFC.

In view of the above, the Board has approved and adopted this document as the interest rate policy of Monedo Financial Services Pvt Ltd.

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

Objectives of this Interest Rate Policy are to:

- 2.1** Set out a framework describing the interest rate model adopted by Monedo Financial Services Pvt Ltd.
- 2.2** Provide its borrowers an overview of the method and factors used for calculating the interest rates charged on various financial products of Monedo Financial Services Pvt Ltd.
- 2.3** Adopt a uniform and consistent approach for determining the interest rates charged to different types of borrowers.

### **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. Interest rates offered by Monedo Financial Services can either be on a fixed basis or floating/variable basis based on the factors 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.

Interest rates will be computed on an annual basis to enable the borrower to be informed of the exact rate being levied by Monedo Financial Services but may be charged by the company on a periodic basis as agreed between the borrower and Monedo Financial Services in the relevant loan documentation.

Interest rates are not standardized and may vary within a range based on the type of loan, type of borrower as well as the factors set out in paragraph 11 below. An indicative schedule of interest rates being levied by Monedo Financial Services Finance for various types of lending products offered is detailed in Annexure 1.

Monedo Financial Services will not charge excessive interest rates as compared to prevailing market trends and the Risk Management Committee may specify the maximum interest rate to be levied by Monedo Financial Services from time to time.

## 5. Methodology

### 5.1 Finalizing Bench Mark Rate – Calculation

The following factors are taken into consideration to arrive at the Bench Mark Rate Calculation:

- **Weighted Average cost of borrowing:** The Company borrows funds through term loans, Non-Convertible Debentures and Commercial paper and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for benchmark calculation.
- **Cost of Equity-**Monedo needs to put some equity portion to run the business and the cost of such equity is taken at G-sec + 2% as suggested by RBI.
- **Funds raising cost** - It includes Processing fees on terms loans, brokerage to source fund through NCD, CPs, Rating fee, IPA, commission on CPs, exchange listing fee etc.
- **ALM mismatch cost:** The Company borrows funds through short term and long term products and to comply with the guidelines it needs manage ALM gaps under certain limits imposed by regulator. While taking prepayment in to account the customer.
- Opex Cost:** It includes employee expenses, branch related fixed and variable costs, operations cost, sales and marketing expenses.
- **Risk Premium:** Base risk premium to cover business related risks.
- **Base ROA:** Base Return on assets is the minimum return expected by the company on its assets.

Weighted avg. cost of borrowing (A)	XX%
Cost of Equity (B)	XX%
Fund Raising Cost (C)	XX%
ALM Mismatch Cost (D)	XX%
Opex Cost (E)	XX%
Risk Premium (F)	XX%
Base ROA (G)	XX%
Final Bench Mark Rate (sum of A to G)	XX%

Fixed rate loans are not linked to benchmark but are decided based on their COF (allocated through Fund transfer pricing), Operational expenditure, Business related risks and desired ROE/ROA. Factors affecting calculation of spreads to arrive at final rate are mentioned below

## **5.2 Factors for calculation of Interest Rate**

The rate of interest to be levied by Monedo Financial Services is considered on a case-to-case basis and is evaluated taking into account various variables such as day count fractions, type of loan, tenor of loan, EMI vs EDI, nature of security and/or collateral (where applicable), market volatility, industry trends, etc.

These factors can be categorized into two broad heads:

### **5.2.1 Internal Factors**

Monedo Financial Services determines interest rates by taking into account various elements based on internal assessments, procedures, principles, methods, etc., such as the following;

- Nature of lending (type and form of loan, frequency of repayment, tenor of loan, secured/unsecured, completely paperless and non-physical model);
- Nature of security/collateral in relation to the loan;
- Internal cost factors (including but not limited to operational costs, overall exposure costs, administrative costs, fixed and variable costs, business costs and margins);
- Risk exposure to cover credit and other risks;
- Borrower risk profile based on the credit assessment undertaken by Monedo Financial Services Finance. Risk profile is graded basis the factors detailed in Annexure 2;
- Any other factors considered relevant by the Risk Management Committee from time to time;

### **5.2 .2 External Factors**

Calculation of interest rates also depends on various external factors outside the ambit of Monedo Financial Services such as the following:

- Market conditions and trends (such as market liquidity, interest rates prevailing in the market, regulatory and statutory changes, changes in capital requirements, credit and cyclical conditions);
- Prevailing and anticipated industry trends such as interest rates offered by competitors;
- Inherent credit and default risk in similar business or category of borrowers, particularly trends with sub-groups/borrower segments of the loan portfolio;
- Any other factors considered relevant by the Risk Management Committee from time to time.

## **5.3 Other charges**

In addition to interest rates, Monedo Financial Services may levy certain additional financial charges as it may deem necessary in relation to the loan offered by the company to the borrower. These charges will be explicitly communicated to the borrower in writing (physically or electronically) The nature of these charges is as follows:

### **5.3.1 Loan related charges**

Default interest, prepayment/foreclosure charges, disbursement charges, penal charges, commitment fee, exchange rate charges, credit assessment, late payment charges and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

### **5.3.2 Administrative costs and charges**

Charges and costs involving loan processing, service charges, processing fees, documentation charges, borrower care, registration, handling charges or and/or any other charges set out in detail in the relevant loan documentation and/or explicitly informed to the borrower.

## **5.4 Taxes**

Monedo Financial Services will recover all taxes, duties, stamp duty, cess levied upon the charges incurred by Monedo Financial Services for rendering services to the borrower in accordance with the applicable rates.

## **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**

**8.1** Monedo Financial Services shall inform the borrower in writing (in physical or electronic form), in the vernacular language or a language as understood by the borrower all relevant details in relation to the loan offered by the company including all necessary documentation to be entered into in relation to the loan (i.e., terms and conditions, loan agreements, sanction letters along with all relevant enclosures). The annualized rate of interest shall be disclosed to the customers without any ambiguity; Any change in the interest rate or other charges shall be made prospectively and same will be adequately disclosed in the loan agreement.

**8.2** There shall be appropriate disclosures on 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.

**8.3** Monedo Financial Services shall also endeavor to make terms and conditions in relation to the borrowings available on its website in certain vernacular languages most understood by its borrowers.

**8.4** Monedo Financial Services shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan.

**8.5** The information provided by Monedo Financial Services in accordance with paragraph 5.3 and 5.4 stated above, all Charges and Taxes proposed to be levied by Monedo Financial Services in accordance with this Interest Rate Policy as well as any other disclosures required to be made under Applicable Laws are set out in the loan documentation of Monedo Financial Services.

**8.6** Monedo Financial Services shall provide a Key Facts Statement (KFS) to all prospective borrowers to help them make an informed view before executing the loan contract, as per the standardized format prescribed in the Circular on 'Key Facts Statement (KFS) for Loans & Advances' issued by the RBI dated 15 April 2024 having reference number RBI/2024-25/18 DOR.STR.REC.13/13.03.00/2024-25, as amended from time to time.

### **8.7 Policies and Procedures**

The following other policies are also relevant from disclosures point of view of this Interest Rate Policy:

**8.8 Credit Policy** – The credit policy of Monedo Financial Services outlines the parameters and processes for credit appraisal, approval, risk guidelines and other credit principles and procedures of Monedo Financial Services. The Interest Rate Model described in this Interest Rate Policy are based on the pricing philosophies set out under the credit policy.

**8.9 Fair Practices Code** – All relevant disclosures in relation to the Credit policy and Interest Rate Model of Monedo Financial Services and elaboration on Approach for Gradation of Risk, etc. (in this Interest Rate Policy) are disclosed in the Fair Practices Code of Monedo Financial Services in accordance with the directions of the RBI.

**8.10 Form of Documentation-** The loan documentation of Monedo Financial Services and all related documents (including communications sent to, or received by, the borrower) in writing may either be in physical or electronic form in the vernacular language or a language as understood by the borrower.



## **9. Additional/Default Rate and Levying of Foreclosure /Pre- Payment Charges**

### **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, as applied to the borrower shall be disclosed appropriately to the borrower.

### **Foreclosure/Prepayment Charges**

Any prepayment penalty as charged to the borrower shall be disclosed and be subject to extant instructions. 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.

In compliance with Regulatory Instruction involving, Foreclosure/Prepayment Charges on loan to MSEs, (Micro and Small Enterprises) Monedo Financial Services shall not levy foreclosure charges / prepayment penalties on loan/credit facility granted to the Micro and Small Enterprises.

## **10. Review and Oversight**

### **10.1 Board Approval**

The Board has reviewed, approved and adopted this document as the Interest Rate Policy of Monedo Financial Services. The Board shall be responsible for the administration, interpretation, application and review of this policy.

### **10.2 Risk Management Committee**

The Risk Management Committee will oversee the implementation of this Interest Rate Policy. The Risk Management Committee will be responsible for monitoring the interest rates charged by Monedo Financial Services as per this Interest Rate Policy and provide necessary updates and recommendations to the Board in this regard.

### **10.3 Periodicity of Review**

This Interest Rate Policy will be reviewed by the Board and/or the Risk Management Committee on periodical basis as may be deemed appropriate by the Board and/or the Risk Management Committee to ensure compliance with any modification, amendment or supplementation to the RBI SBR Master Directions, the RBI Act and the rules made thereunder.

### **10.4 Communication**

As per the RBI SBR Master Directions, an NBFC has to disclose to its borrower, the rate of interest, approach for gradations of risk and rationale for charging different interest rates to different categories of borrowers.

Accordingly, Monedo Financial Services will inform the borrower in writing (physically or electronically) about the rate of interest and other charges contemplated to be charged by Monedo Financial Services (including any amendments thereof) before and at the time of availing and sanctioning the loan by way of the loan documentation of Monedo Financial Services, this Interest Rate Policy and/or any other mode agreed between the borrower and Monedo Financial Services.

The documentation adopted by Monedo Financial Services (as indicated in paragraph 8.9 of this Interest Rate Policy allows the borrower to make an informed decision with respect to the loan. The borrower's acceptance of such terms and conditions (including any amendments thereof) will be taken and recorded by Monedo Financial Services in writing (by physical or electronic means).



### **10.5 Amendments**

Any amendments to this Interest Rate Policy will be reviewed and approved by the Board. Provisions of this Interest Rate Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time.

In case any provisions of this Interest Rate Policy are inconsistent with Applicable Laws (including any subsequent amendment(s), clarification(s), circular(s), etc.) then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Interest Rate Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

### **10.6 Publication**

This Interest Rate Policy will be displayed on Monedo Financial Services Pvt Ltd. website in compliance with the directions of the RBI and will be updated periodically to include any changes/amendments in the rate of interest or otherwise.

**Annexure- I**

**Schedule of Monedo Financial Services Lending Products, Interest rate and Processing charges**

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

Note.

- i) The interest rates specified are indicative only and are subject to change. The interest rate specified/recorded in the facility documents will be binding over this site info.
- ii) The interest rate shown are per annum basis on the outstanding amount.
- iii) Monedo Financial Services reserves the right to revise the interest rate from time to time at its sole discretion.