MEGHA FINLOAN PRIVATE LIMITED

INTEREST RATE POLICY

1. PREAMBLE

The Reserve Bank of India (RBI) has advised the Boards of NBFCs to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. The board of each NBFC shall adopt an interest rate model taking into account relevant factors such as: Cost of Funds, Margin and Risk Premium, etc. and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the Borrower or Customer in the application form and communicated explicitly in the Sanction Letter.

Megha Finloan Private Limited ("MFPL" or "Company"), offers a bouquet of lending products to its clients. To comply with the above regulatory directives, the Company will adopt the following process/model to compute the interest rate to lend to its Borrowers. This interest rate would vary for different classes of Borrowers based on various factors described below.

2. METHODOLOGY

The average yields and the rate of interest under each product is decided from time to time, giving due consideration to the following factors;

- The cost of funds on the borrowings, as well as costs incidental to those borrowings, taking into consideration the average tenure, market liquidity and refinancing avenues etc;
- 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 loan portfolio;
- Nature of lending, for example unsecured/secured, and the associated tenure;
- Nature and value of securities and collateral offered by customers.
- 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.

3. POLICY FOR LENDING BUSINESS

- The Company shall adopt a discrete interest rate policy which means that the rate of interest 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 Company shall disclose the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate explicitly in the sanction letter.
- The interest rates offered could be on fixed basis or floating/variable basis. Changes in interest rates would be decided at any periodicity, depending upon market volatility and competitor review.
- Annualized Rate of Interest would be intimated to the customer.

- Besides normal interest, the Company may levy additional interest for adhoc facilities, penal interest for any delay or default in making payments of any dues.
- The Company shall mention the penal interest in bold in the loan agreement.
- The interest re-set period for floating/variable rate lending would be decided by the company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- Interest would be charged, and recovered on a monthly, quarterly basis or such other periodicity as may be approved by the designated authority. Specific terms in this regard would be addressed through the relevant product policy (if any).
- Interest rates would be intimated to the customers at the time of sanction/availing of the loan and the EMI apportionments towards interest and principal dues would be made available to the customer.
- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- Besides interest, 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 GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect. A suitable condition in this regard would be incorporated in the loan agreement. 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 interest rates/charges.
- Interest rate models, base lending rate 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 interest and address their queries and questions on the same, to their satisfaction. Our loan officers ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in our products.
- Claims for refund or waiver of such charges/penal interest/additional interest would normally not be entertained by the Company and it is the sole and absolute discretion of the Company to deal with such requests.

4. PROCESSING FEES/COMMITMENT FEE/OTHER CHARGES

The Company may levy processing fees/other charges on its Borrowers for loans sanctioned on a case to case basis. Quantum of processing fees/other charges would depend upon the type of collateral, geographical location of the collateral, nature and volume of documentation involved, services required from external agencies during appraisal process etc.

The Company may also levy commitment fees for making available a line of credit to the Borrower on a case to case basis.

In cases where the Company decides to levy processing fees/commitment fees/other charges, the same should be agreed and accepted by the Borrower whether in term sheet or any loan document. Processing fee may also be charged at the time of renewal of the facility on a case to case basis. Processing fees/commitment fees/other charges may be reduced or waived by the Credit Committee/Sanctioning Authority in certain cases based on justification provided by the Borrower.

5. PENAL INTEREST RATES/CHARGES

The Borrower will be levied a penal interest rate depending on the case (including LPI charges plus Bouncing charges) decided by the Credit Committee, if the Borrower does not service the loans on the due date or as demanded by the Company or for any other reason that the Company might deem fit.

Penal Interest Rate/Charges may be increased, reduced or waived by the Credit Committee/Sanctioning Authority in certain cases based on the information/justification provided by the Borrower.

6. APPLICABILITY

This Policy shall be applicable to the Loans and Advances (Inter Corporate Deposits) made by the Company and shall not be applicable to Investments of the Company.

7. REVISIONS

Any revision in this Policy shall be decided by the Asset Liability Management Committee and shall, subsequently, be presented to the Board of Directors of the Company for its approval.