

INTEREST RATE POLICY
OF
MASSFIN LENDING SERVICES
PRIVATE LIMITED
("MASSFIN")

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1. PREFACE OF THIS POLICY

As per the Reserve Bank of India guidelines, Board of each NBFC shall approve an Interest rate model that is applicable for the Company, taking in to 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. Further, the directive states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters issued to them.

The Reserve Bank of India, **Master Direction - Non-Banking Financial Company -Non Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 dated 1st September 2016**, as amended from time to time (RBI Regulations), had advised the Boards of Non-Banking Financial Companies (NBFCs) to outline appropriate internal policies and procedures to define their interest rates, processing fees, and other charges. The Direction was issued as a measure against the increasing complaints the Bank received against excessive interest rates and other charges levied by NBFCs on certain loan products.

The board of directors of **MASSFIN LENDING SERVICES PRIVATE LIMITED** (henceforth referred to as "**Company**" or "**MASSFIN**") has designed a detailed interest rate policy ("**the Policy**") in accordance with the master direction issued by the Reserve bank of India (including amendments thereof) to disclose their internal guiding principles, interest rate model, rate of interest, gradations of risk and rationale for charging different rate of interest to their borrowers.

The Company shall take this Policy into consideration while making all of its decisions regarding the determination of interest rates and other charges applicable to its loan offerings.

2. OBJECTIVE OF THIS POLICY

The primary objective behind drafting and adopting this policy is to decide on the principles, methodology and approach of charging spreads to arrive at final rates charged from customers and define the standard interest rates to be followed for different customer segments and loan offerings.

The Policy will also help the Company to lay down the different principles and rationale behind determining the different interest rates charged to its different customers.

The **MASSFIN** through this policy charge interest rates determined in a manner as to ensure long-term sustainability of the business by taking into account the interests of all stakeholders and developing and adopt a suitable model for the calculation of a reference rate.

3. INTERNAL RESPONSIBILITIES

- a) **Board of Director:** The Board of Directors of the Company shall oversee this Interest Rate Policy and ensure its effective implementation. Further, the Board may delegate the responsibility of implementation of this Policy and other functioning aspects to the any director and/or ALCO as it deems fit.

4. INTEREST RATE MODEL

The company's borrowings and all its loans to clients shall be on *Fixed Rates*.

MASSFIN being a diversified NBFC is engaged in the business of lending money through various products to cater the needs of different customer segments. The primary target audience for the Company's offerings include:

- Working Capital Loan
- Personal Loan

Currently **MASSFIN** has one rate i.e. base rate (used by all segments of customers)

The base interest rate shall be calculated by the Company after taking into account, factors such as Weighted Average cost of borrowing, Cost of Equity, Fund raising cost, Opex Cost, Risk Premium and Base ROA etc.

Further, the Company shall determine the interest rate applicable to each loan account based on different yardsticks such as tenure of the loan, borrower's profile, borrower's repayment capacity, past repayment track record of the borrower, etc.

5. BENCHMARK ESTABLISHING THE INTEREST RATE

The interest rate applicable to different loan products of the Company shall be determined by taking the following aspects into consideration:

Sr. No	Factor	Description
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1	Weighted Average cost of borrowing	The Company borrows funds through term loans, ICD, Non-Convertible Debentures and subordinate debt etc. from the investors. Weighted average cost of borrowing of such funds is taken for bench mark calculation.
2	Cost of Equity	MASSFIN needs to put some equity portion to run the business and the cost of such equity is taken into consideration.
3	Fund raising cost	It includes processing fees on term loans, brokerage to source funds through NCDs /ICD , Rating Fee, trusteeship fee, commission etc.
3	Opex Cost	It includes employee expenses, branch related fixed and variable costs, operations costs, sales and marketing expenses etc
5	Risk Premium	Base risk premium to cover business-related risks and would vary by business, customer segment, geography, sourcing channel etc.
6	Base ROA	Base Return on assets is the minimum return expected by the company on its assets.

6. PRINCIPLES BEHIND CHARGING DIFFERENT INTEREST RATES

The Company shall take the following factors into account for charging different interest rates to its different customers:

- Risk associated with credit and probability of default in the applicant's business segment.
- Track record of clients with similar backgrounds.
- Historical performance of similar homogeneous clients
- Profile of each loan applicant.
- The industry which an applicant belongs to.
- The repayment history of the borrower.
- Ticket size of the loan.
- Credit Bureau score of the borrower.
- Duration of the loan.

- Collection performance in the geographies to which the applicant belongs.
- Existing debts of the borrower.

The rate of interest for the same product and tenor availed during same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or combination of above factors.

7. ADDITIONAL CHARGES

Besides interest, the Company will levy additional financial charges such as loan processing fees, cheque bounce charges, ESC failure charges, penal interest charges, pre-payment/foreclosure charges, late payment fees, etc., wherever considered necessary.

Any change in the charges will inform borrowers in advance and apply prospectively.

8. OTHER PROCEDURAL ASPECTS

The Company shall adhere to the following procedural aspects with regards to the rate of interest charged on its different loan offerings:

- a) In compliance with its Fair Practices Code, the Company shall disclose the rate of interest and approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in its application form as well as in its Loan Sanction Letter explicitly.
- b) The Company shall inform the borrower about their loan amount; annualised rate of interest and other details of the loan at the time of sanctioning the loan.
- c) Other charges such as processing fees, additional interest charged on delayed payments and cheque bouncing charges shall also be mentioned in the sanction letter and Loan Agreement.
- d) The annualised rate of interest shall be intimated to the borrower so that they are aware of the exact rates charged to the account.
- e) The Company shall display its interest rate policy and interest rate structure for each loan product on its website.
- f) The Company shall inform its customers about any increase in fees or charges via different communication channels such as SMS, email, website updates, etc.,

9. REVIEW OF THIS POLICY

This Policy shall be reviewed by the Company's Board of Directors annually, or as and when any changes are necessitated to the Policy. The Chief Compliance Officer/Executive Director /or Committee may suggest changes or modifications to the Policy and present it before the Board for its approval and adoption.