

# Interest Rate Policy

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Mirae Asset Financial Services (India) Pvt. Ltd. (MAFS)

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## Preamble

- ❖ The Reserve Bank of India (RBI) vide its Master Circular – Fair Practices Code RBI/2015- 16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015 and vide its Guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on website of the companies.
- ❖ In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by Mirae Asset Financial Services (India) Private Limited (MAFS), MAFS has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

## Objectives of the Policy

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

- ❖ To prevent the charging of excessive interest rates.
- ❖ To enable Customers, know on what basis the interest rates that will be charged on the loan amount per annum.
- ❖ To enable Customers, know the conditions upon which the interest rates are arrived at.
- ❖ To ensure transparency in customer dealings.

## Interest Rate Model

MAFS' business model is geared at providing credit only to customers meeting the benchmarks set by MAFS.

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:

### **Tenure of the Loan & Payment Terms**

MAFS takes the term of the loan and terms of payment of interest into consideration in evaluating interest rates.

### **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.

### **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.

### **Credit Risk**

The cost of credit loss is also taken into consideration in assessing the interest rate chargeable on loan accounts. MAFS' 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.

### **Structuring Premium**

In the event that, there is a significant structuring element regarding the collateral or other aspects of transaction structure, MAFS may apply a premium to the loan.

### **Market Dynamics**

The prevailing interest rates offered by other NBFCs and/or other lenders for similar products / services as offered by MAFSIPL 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.

Other relevant factors such as securities offered and the type and risks attached thereto matching tenure 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 MAFS in determining the interest rate to be charged upon customers.

## **Approach for Risk Assessment**

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

- ❖ The profile, financial stability and market reputation of the customer.
- ❖ Inherent nature of the product, type / nature of facility, loan to value of asset financed.
- ❖ History and duration of relationship with the customer, past repayment track record and historical performance of similar clients.
- ❖ Group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the customer.
- ❖ Nature and value of primary and secondary collateral / security.
- ❖ Any other factors that may be relevant for the assessment of risks on a case-to-case basis.

## **Rate of Interest**

MAFS shall calculate its interest rate according to the 30/365 or Actual/Actual-day count convention. The rate of interest for the same product and tenure availed during same period to different customers may differ depending on the result of an application of the conditions listed in this policy.

The rate of interest for loans for various business segments and various schemes thereunder is arrived at based on cost on account of risk and tenor premium for the concerned business segment, business specific operating cost, cost of funds etc. and a margin is added to arrive at the lending rate.

The final lending rate for various products offered by the Company will be arrived at after taking into account market reputation, interest, credit and default risk in the related business segment, historical performance of similar homogeneous clients, profile of the borrower, tenure of relationship with the borrower, repayment track record of the borrower in case of existing customer, subventions available, deviations permitted, future potential, group strength, overall customer yield, nature and value of primary and collateral security, etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection (if any) of the borrower's premises.

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

The interest rate to be charged to the borrower for the loans will be decided keeping in view the RBI's guidelines relating to regulation of excessive interest charged by NBFCs.

The Rate of interest to be charged will be duly disclosed to the borrower/s in the Loan Agreement.

The interest rates on each of the loan products would be decided by such body as authorized by the Board of Directors, or Managing Director and Chief Executive Officer or the Board of Directors themselves.

The rate of interest for the same product and tenor availed during same period by different borrower need not be uniform. It could vary for different products for the same or different borrower.

The interest rates could be offered on fixed or variable basis.

The interest reset period would be decided by the Company from time to time.

Interest is to be calculated on the amount utilized or outstanding and not merely on the sanctioned limit.

No interest is payable on credit balance in borrower's account.

The average yield on a credit product and minimum rate of interest under each product line would be decided from time to time by the relevant authority.

Rationale for charging different rate of interest to different categories of borrowers depending upon consideration of any or combination of a few or all factors listed above shall be documented and the same shall be disclosed to the borrowers or customer in the application form and communicated explicitly in the sanction letter.

The annualized rate of interest and approach for gradation of risks shall be intimated to the borrowers and would be displayed in the statement of accounts.

In case the due date falls on a public holiday or Sunday, it shall be deemed to fall due on the next subsequent working day or as informed to the borrower(s) from time to time.

Important changes in the policy shall be published on the website and/or published in the newspaper and/or communicated to the borrowers before implementing changes in rates.

Interest Rates would be intimated to the customers at the time of sanction/availing of the loan and the EMI apportionment towards interest and principal dues would be made available to the customers.

The interest shall be deemed payable immediately on debits. However, grace period may be allowed for payment of interest. The changes in rates would be prospective in effect and intimation of change and other charges would be communicated to customers in any mode deemed fit.

## **Penal Interest/Late Payment Charges/Default Interest**

As a deterrent against intentional delinquency and to encourage prompt and timely repayment of instalments, the Loan Agreement provides for penal interest of upto 4% over and above the normal rate of interest. In deserving cases, such charges or interest are settled at much lower rates or waived as per the Authorization Matrix.



## **Other Charges**

All charges that are recovered from the borrowers are expressly stated in the Loan Agreement. The schedule of charges is updated in website and/or email and/or other communication shared to the customers. These could vary based on the asset financed, exposure limit, expenses incurred, customer segment and represent the costs incurred in rendering effective services to the customers. The base charges, Goods & Service Tax and other Cess would be collected at applicable rates from time to time. Any revision would be from prospective effect.

In case deemed fit, the company may consider necessary moratorium for interest payment and repayment of principal with proper built-in pricing.

No claims for refund or waiver of such charges/penal interest/additional interest would normally be entertained by the company and it is the sole discretion of the company to deal with such requests if any.

In case of discrepancies between this policy and the Loan Agreement, the Loan Agreement will supersede this policy. The Directions issued by the Reserve Bank of India would naturally bear a superseding effect on this policy.

## **Communication Framework**

MAFS will communicate the effective rate of interest to customers at the time of sanction / availing of the loan through the acceptable mode of communication.

Changes in the rates and charges for existing customers would also be communicated to them through various modes communication such as website updation, email, letters, SMS, etc.

## **Review and Revision**

Any revision in the Company's interest rate applicable to business would be reviewed by the Chief Executive Officer.