

**INTEREST RATE POLICY**

To be renamed as “Policy for Determining Interest Rates, Processing & Other Charges”

**Preamble:**

The Reserve Bank of India (RBI) vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and amendments thereafter Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023 and amendments thereafter, as amended from time to time (RBI Regulations), has directed all NBFCs to adopt an interest rate model and lay out appropriate internal principles and procedures in determining interest rates and other charges. In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy as below:

**Interest rate:**

Interest rate is finalized on the basis of Annualized IRR to the Company. The Annualized IRR for vehicle loans ranges from 18% p.a to 30% p.a. and the flat rate of interest ranges between 9% p.a. to 18% p.a.

**Risk Gradation:**

The rate of interest is arrived at through Mahaveer Finance’s interest rate model which takes into account relevant factors such as cost of funds, margin and risk premium. We take a comprehensive approach to the gradation of risk that does not discriminate between classes of borrowers, but rather tailors the interest rate to each loan. The decision to give a loan and the rate of interest thereon are carefully assessed on a case by case basis based on multiple factors which may include the borrower’s cash flows (past, current and projected), borrower’s other financial commitments, the borrower’s credit record, the security for the loan as represented by underlying assets or other financial guarantees etc as per the credit policy prevalent at such time. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower’s premises.

**Processing /Documentation and Other Charges**

**i. Sourcing Costs at the time of the application:**

- a. These costs are incurred by the Company before the customer takes his loan disbursement and will be covered through the charges deducted or collected from the disbursement amount. These costs include acquisition, verification, legal & valuation, credit appraisal etc.
- b. All processing /documentation and other charges recovered are expressly stated in the loan execution documents. They may vary based on the loan product, exposure limit, customer segment, geographical location of the customer etc.
- c. In the event of cancellation of loans at the behest of the customer or due to insufficiencies identified in the details submitted by the customer, the Company shall have the right to levy cancellation charges on the customer due to the cost incurred by the Company. The Company shall not levy processing fees for customers to whom cancellations charges are levied. In case, processing fees has been paid by the customer, the same shall be set off from the cancellation charges.

**ii. Costs incurred during the tenure of the loan:**

- a. Besides interest, other financial charges such as cheque bouncing charges, cheque swaps, cash handling charges, RTGS/other remittance charges, commitment fees, charges on various other services or such other charges as may be communicated/ intimated to the customer through the sanction letter/ loan agreement would be levied by the Company wherever considered necessary or through any other mode thereafter.
- b. Besides these, statutory charges such as the goods and service tax and other cess would be collected at applicable/ prevailing rates from time to time. Any revision in these charges would be with prospective effect. These charges would be decided collectively by the management of the Company.

**c. Penalties levied on the Customer (Effective from April 01, 2024)**

1. Penalty, if charged, for non-compliance of material terms and conditions as defined in the loan contract with the borrower shall be treated as 'penalties'. These penalties shall also cover charges levied on the customer for delay in payment of their overdue EMI.
2. In case of existing loans, the instructions laid out in Fair Lending Practice - Penal Charges in Loan Accounts shall come into effect from April 1, 2024 and the switchover to new penal charges regime shall be ensured on the next review / renewal date falling on or after April 1, 2024, but not later than June 30, 2024.
3. Additional penal charges cannot be levied on the earlier outstanding amount of penal charges.
4. There shall be no capitalisation of penalties i.e., no further interest computed on such charges.
5. Pursuant to the RBI Notification bearing no. RBI/2023-24/53 - DoR.MCS.REC.28/01.01.001/2023-24 dated 18th August 2023, the Company shall hereafter levy Penal Charges, as applicable on the defaulted payments from the due date till the date of receipt.
6. The quantum of penalties shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
7. The penalties in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
8. The quantum and reason for penalties shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company's website.
9. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penalties shall be communicated. Further, any instance of levy of penalties and the reason thereof shall also be communicated.
10. Requirements mentioned in this clause shall be applicable in respect of all the fresh loans availed / renewed from January 01, 2024. In the case of existing loans, the switchover to new penalties shall be ensured on next review or renewal date or six months from the effective date, whichever is earlier.

**iii. Charges applicable at the time of closure of the loan**

These will include pre-payment & foreclosure charges subject to RBI guidelines, repossession and other legal expenses related to recovery of over dues.

**iv. The Company shall levy the charges in accordance with the agreements executed with the customer/any subsequent changes as communicated.**

**v. All charges and any revisions thereof are approved by the Managing Director and Deputy Managing Director of the Company as a part of the product manuals or separately.**

Besides interest, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap charges, charges for issue of statement account etc., would be levied by the company wherever considered necessary. Besides these charges, stamp duty, service tax / GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be implemented prospective basis with due communication to customers. These charges would be decided upon by the Managing Director and Deputy Managing Director of the Company.

**Policy Severable**

This policy read with RBI Master Direction constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy. Further, the regulatory guidelines as prescribed shall prevail in the event of any amendments or requirements not incorporated in the policy.

**Amendments to the Interest Rate Policy:**

The Board hereby authorizes the Managing Director and Deputy Managing Director of the Company

1. To review and make appropriate changes to the Interest Rate Policy from time-to-time basis the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to the loan products and the relevant charges applicable for such loan products.

2. To introduce, approve complementary/ auxiliary policies on the basis of this policy.

The amended interest rate policy shall be placed before the Board meeting held after such amendment.

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