

MAS FINANCIAL SERVICES LIMITED

INTEREST RATE POLICY

&

APPROACH FOR GRADATION OF RISK



The Power of Distribution

Interest Rate Policy

Purpose

Reserve Bank of India (RBI) vide its Circular DNBS PD/CC No.95/03.05.002/2006-07 dated May24, 2007 advised that Board of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001 / 2008-09dated January 2, 2009.

With a view to institute fair and transparent dealings in the lending business, the Company has adopted and put in place the following Interest Rate Policy parallel to the company's Fair Practice Code, in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016as amended and updated from time to time.

RBI further advised NBFC's to adopt an appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

Keeping in view the RBI's guidelines as cited above, and the good governance practices being followed by the Company, the following internal guidelines, policies, procedures and interest rate model have been adopted by the Company. The Board of Directors of the Company ("the Board") or any Board constituted Committee ("the Committee") as the case may be, while fixing interest rates chargeable from the customers shall be guided by this Interest Rate Policy. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other authority from time to time.

Key Commitments and Declarations

Interest charged by the company from its customers shall inter-alia have the following components viz., Reference Rate, Risk Rate, Additional/Default Rate. Additionally, market scenario, competitive intensity, assignability of products, secured-unsecured ratio and overall product portfolio considerations would be key inputs to pricing.

Reference Rate

Reference Rate shall represent the rate chargeable on floating rate loans. The final rate shall be at a spread (positive or negative) to reference rate. Reference Rate shall be arrived at after considering the following aspects:

Cost of Borrowing

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company.

Return on Capital Employed

This component represents fair return on capital employed which is to be generated by the Company for servicing the owners' capital employed in the business.

Thus, the Reference rate shall be determined by considering the cost of borrowing, overhead/sourcing cost, competitive factors, market conditions, guidance on portfolio shape, size and fair return on capital employed.

Risk Rate

Risk rate (estimate of credit losses) shall be determined by taking into account the degree of risk involved in loan considering various factors like general economic conditions, customer category, customer category servicing costs, mode of repayment, Loan to value ratio, Tenor of loan, Product (as in, car, commercial vehicle, SME etc. location of the customer, etc.

Interest rate fixed or floating– charging interest at fixed rate or floating rate would be decided basis product category.

Additional/Default Rate

Loans remaining unpaid on due dates shall be charged penal interest at such rates uniform across all product portfolio as mentioned in **bold** in the respective customer agreements.

Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

The same shall be based on the following rationale:

1. Acquisition costs/underwriting costs incurred in writing the loan
2. Product segment, depth and liquidity of the market and possibility of reinvesting the funds received by way of prepayment into new products, at similar return on assets
3. Use of fixed cost funds/ lines of credit/internal allocation of resources, for funding a particular product segment
4. Exposure limit or ticket size for the loan products
5. Industry Trends of rate shopping by customers, on the basis of a prevailing contract with PFL, and going to a competing financier, with a view to obtain lower rates

Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements.

However the company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s) as per the Reserve Bank of India's Circular dated August 02, 2019.

The final reference rate is a sum of above to be looked at on a portfolio basis.

Disclosures

As per the extant regulations the following disclosures shall be made to the borrower:

- a. There shall be appropriate disclosure of 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 communicated in the sanction letter.
- b. The annualised rate of interest shall be disclosed to the customers.
- c. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.
- d. The rate of Interest for various class of assets as revised from time to time shall also be displayed on Company's website

Approach for gradation of risk has been:

The decision to give a loan and the interest rate applicable to each loan account shall be assessed on a case to case basis, based on multiple parameters such as the type of asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset, etc. The rate of interest is subject to change as the situation warrants and is subject to the discretion of the Company on a case-to-case basis. The rate of interest informed are annualized rates so that the borrower is aware of the exact rates that would be charged to the loan account. The Company shall disclose the interest rates and gradation of risks on its website.

Product Wise Interest Rate:

PRODUCT	RATE OF INTEREST
Micro Enterprise Loan (MEL)	Up to 36%
Two Wheeler Loan	Up to 30%
Small & Medium Enterprises Loan (SME)	Upto 26%
Commercial Vehicles Loan	Up to 28%
Salaried Personal Loan	Upto 30%
Loan for onward Lending Purposes	Upto 18%

Administration, Amendment and Review of the Policy

The Board or the Committee shall be responsible for the administration, interpretation, application and review of this Policy. The Committee shall also be empowered to bring about necessary changes to this Policy, if so required at any stage at its own discretion or with the concurrence.