



## INTEREST RATE POLICY

Of

**MPOKKET FINANCIAL SERVICES PRIVATE LIMITED**

### Summary of Policy

Version	Issue and Effective Date	Review periodicity	Approving Authority	Policy Owner
V1	08-07-2020	Annual	Board	Compliance
V2	22-03-2022	Annual	Board	Compliance
V3	01-09-2022	Annual	Board	Compliance
V4	16-09-2023	Annual	Board	Compliance
V5	15-12-2023	Annual	Board	Compliance
V6	25-04-2025	Annual	Board	Compliance

Review Date	Next Review Date	Comments/ Remarks/ Changes
03-04-2021	Apr'2022	Annual Review of Policy
22-03-2022	Apr'2023	Policy revised
01-09-2022	Sep'2023	Policy revised in line with DLG Guidelines
20-04-2023	Apr'2024	Annual Review
16-09-2023	Sep'2024	Policy revised in line with the SI requirement of NBFC Master Direction.
15-12-2023	Dec'2024	Adoption of revised IRP in line with changes in the Penal charges and Master Direction- Reserve Bank of India (Non-Banking Financial Company –

		Scale Based Regulation) Directions, 2023
25-04-2025	April'2026	<ol style="list-style-type: none"><li>1. Alignment of Policy with revised Interest Rates</li><li>2. Alignment of Policy with current business practices</li></ol>

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## A. PREAMBLE

Reserve Bank of India (RBI) had vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as amended from time to time) (“RBI Master Directions”) advised Boards of Non-Banking Finance Companies (NBFC’s) to 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. Further, the directive states that 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.

In order to ensure the standards of transparency, in conformity with the stipulations of the RBI’s directives and in compliance with the RBI Master Directions above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy for determining Interest Rates, Processing and Other Charges and broadly outlining the Interest Rate Model and the Company’s approach of risk gradation in this regard for its lending business.

This Policy would be effective from the date of approval by the Board and would be subject to amendments in accordance with Regulations, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any inconsistency of the provisions of this Policy with any amendments, circulars, clarifications etc. issued by relevant authorities, then such amendments shall prevail upon the provisions of this Policy.

## B. OBJECTIVE

- To arrive at the benchmark rates to be used for different category of borrower segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from borrowers.
- Communicate the annualised rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Make available the rates of interest and the approach for gradation of risks on the web-site of the companies.

## C. COMPUTATION OF THE INTEREST RATE

The Interest Rate Model of the Company shall broadly take into account following components:

S. No.	Particulars	Description
	<b>Weighted Average Cost of Funds (WACF):</b>	It represents its blended cost of capital across all sources, including common shares, preferred shares, and debt. The cost of each type of capital is weighted by its percentage of total capital.

		<p>The Cost of Debt represents the interest rate and other cost associated with the borrowing of capital which is used for lending operations. It is representative of what the company pays to source its funds in the form of debt. This also includes the cost and expenses of raising such funds, such as payment of placement fees, brokerage, processing fees, listing fees etc.</p> <p>The company also has an Equity portion which is a mix of infused capital by the investors and retained earnings of the business. The cost of such equity is also considered for its proportionate share in total capital.</p> <p>Weighted average cost of funds is calculated as follows:</p> $((Debt\ Proportion * Cost\ of\ Debt) + (Equity\ Proportion * Cost\ of\ Equity)) / (Total\ Debt + Equity)$
	<b>Opportunity Cost of Cash Reserves:</b>	<p>mPokket maintains cash reserves for liquidity buffer. These reserves, however, come with an opportunity cost, as they remain unutilized for lending and may not generate any interest income. Since cash reserves are typically placed in low-yield or non-interest-bearing instruments, they create a negative carry, reducing overall portfolio returns.</p>
	<b>Operating Cost net of PF:</b>	<p>Operating costs represent the expenses incurred by the company while conducting its day-to-day activities, including the running of core business functions such as loan origination, processing, servicing, collections, customer support and overhead costs.</p> <p>The operating cost net of processing fee represents the portion of operational expenses that remain after accounting for the revenue generated from processing fees. This represents the residual cost burden that needs to be covered through interest income.</p>
	<b>Net Credit Risk Premium:</b>	<p>The net credit risk premium accounts for the risk of borrower defaults. It represents the expected losses from a loan in the event of delinquency. It is arrived at from internal assessments of inter alia the historical customer segment-wise portfolio performance, past default trends, and customer relationship. A credit risk premium</p>

		<p>ensures that mPokket prices its loans in line with the risk profile of borrowers.</p> <p>The risk of defaults are adjusted for any recoveries from customers in the form of late charges and only the net credit risk premium is considered for the interest cost on the loans.</p>
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*Note: All interest components are annualised to arrive at the relevant interest rate on loans*

### Interest Rate to Borrower

**The final interest rate to borrower (Annualised Rate) includes all associated costs as detailed hereunder:**

$$\text{Interest Rate to Borrower} = \text{WACF} + \text{Annualised cost of cash reserve} + \text{Annualised Opex net of PF} + \text{Annualised Net Credit Risk Premium}$$

The interest rates so determined are listed for quick reference in Annexure-1

### D. PROCESSING FEES

Cost of sourcing and handling the loan application is charged as processing fees. There are several processes that are implemented to cover all the customers before approval. The costs incurred towards the implementation of these processes are recovered from the customers whose loans are approved in the form of processing fees. The fees may vary based on the loan product, geographical location, customer segment, size, tenor of loan and risk associated with the application and generally represent the cost incurred in rendering the services to the customers. The Processing Fee is currently charged at rate of 4% excluding GST. The management regularly reviews the processing fees levied and can change the processing fees at any point of time. All processing / documentation and other charges recovered are expressly stated in the loan documents.

All applicable taxes shall be charged as per the guidelines issued by the Government from time to time.

### E. PENAL CHARGES

For any delays in payment beyond the due date mentioned in the repayment schedule, the Company shall apply penal charges on such amount due originally. This charge shall be determined as per the penal charge policy adopted by the Company. In no case will the penal charges be capitalised by the Company i.e. no further interest shall be computed on such charges. However, this will not impact the accrual of charges over the period that such amount remains due.

The quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and sanction letter / KFS, as applicable, and be displayed on the website under Interest rates and Service Charges.

**F. OTHER CHARGES**

Other Charges constitute Bounce Charges, Prepayment / Foreclosure Charges and the like and are charged to the customer with due intimation through the KFS. Any other charges which do not form part of KFS will be charged after obtaining prior consent from the customer.

**G. GRADATION OF LOAN BASED ON RISK ASSESSMENT:**

The Company grants credit facilities to the individual borrowers ("borrowers") who have both the intention and the ability to discharge their obligations. The Company may from time to time offer secured or unsecured loans to such individuals based on internally approved policies. The individual assessment criteria for the customer credit grading undergoes through different checks during the KYC and onboarding process to ensure proper risk categorization of the borrowers. When assessing credit transactions, the Company focuses on critical principles as follows:

1. Detailed profile of the borrower at the time of onboarding with proper due diligence as per company's Know Your Customer Policy;
2. Tenure of relationship with the borrower, past repayment track record and historical performance of similar clients;
3. Repayment capacity, liquidity, sources of earning, profitability of operations and other financial commitments of the borrower, mode of payment, nature and value of collateral, if any etc.;
4. Interest, default risk in related business segment;
5. Additional data-based signals – Bank Statement, Goods and Services Tax ('GST'), Employees Provident Fund Organisation ('EPFO') details etc;
6. Rates may also vary in line with what is offered by other lenders in the same / similar domain
7. And any other factors that may be relevant in a particular case or as deemed fit by the Company

**H. POLICIES AND PROCEDURES**

The following policy is also relevant for the purposes of this Interest Rate Policy:

Loan Policy – The Loan policy of the Company outlines the parameters and processes for credit appraisal, approval, risk guidelines and other credit principles and procedures of company. The Lending Model and Interest Rate Model described in this Interest Rate Policy are based on the pricing philosophies set out under the loan policy.

**I. DISCLOSURE TO BORROWER**

1. Company will inform the borrower in writing in English language and the vernacular language as understood by its borrowers and where required under applicable Laws all relevant details in relation to



the loan offered by company including all necessary documentation to be entered into in relation to the loan (i.e. loan agreements, sanction letters along with all relevant enclosures)

This Policy will be made available on the website of the Company.

#### **J. REVIEW OF POLICY**

The Interest Rate Policy is subject to Annual Review based on the recommendation of Product & Pricing Committee by the Board of Directors. The policy may be reviewed earlier due to change in regulatory guidelines or change in the business practices followed by the Company.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

**ANNEXURE – 1**

<b><u>Interest Rate p.a.</u></b>	<b><u>Tenure</u></b>	<b><u>Processing Fees</u></b>	<b><u>Ticket Size</u></b>
Upto 39%	Upto 12 months	4% + GST	Upto Rs. 25,000

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