



Interest Rate Policy
MAANAVEEYA DEVELOPMENT & FINANCE PRIVATE LIMITED

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1. INTRODUCTION

Maanaveeya Development & Finance Private Ltd. (*hereafter referred as “the Company” or “MV”*) was incorporated in August 2004. The Company is registered with Reserve Bank of India (RBI) as a Non-Banking Finance Company, falling under the category of ‘NBFCs-Middle layer’ (NBFCs-ML), as per the regulatory structure of scale based regulation. MV is a development financial institution and extends bulk loans to established Micro-Finance Institutions (MFIs), FI-MSME companies, Renewable Energy companies, other organisations engaged in Agri value chain activities.

As per Reserve Bank of India (**“RBI”**) Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (**“Master Direction”**), the Board of Directors of all Non-Banking Financial Companies (**“NBFCs”**) shall adopt an Interest Rate Model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

In compliance with the RBI’s regulations, MV has put in place a comprehensive interest rate policy.

2. OBJECTIVE

The key objective of the policy is to

- Ensure that interest rates are determined in a manner to secure long term sustainability of business by taking into account the interests of all stakeholders.
- Develop and adopt a suitable model for calculation of an MV’s Reference Rate.
- Enable fixation of interest rates, which are reasonable: both actual and perceived.
- Ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices.
- Charge differential rates of interest linked to the risk factors as applicable, taking into account the cost and spread to be charged, methodology to arrive at final interest rates applicable to the customers.

Interest rate shall mean the **annualized rate** on the credit facilities charged to the borrower by the Company, based on the periodicity of monthly payments. The interest rate shall not include other costs such as processing fee, documentation charges, stamp duty, external costs, penalties, pre-payment charges etc.

3. POLICY REVIEW AND GOVERNANCE

The Policy shall be reviewed by MV’s ALCO (Asset Liability Management Committee), once in a year or in between if required, due to changes required in the model or due to regulatory requirement, for example any addition / deletion of a component forming part of reference rate i.e. MV’s Reference Rate, change in borrowing mix etc. The interest rate policy shall be further reviewed and recommended by Risk Management Committee for the approval of MV’s Board.

The Board of Directors of MV shall have oversight on the framework for determination of interest rates. To ensure effective implementation of this policy, the Board may delegate certain operational aspects to management level at Asset Liability Management Committee (**“ALCO”**), as deemed fit.

The approval for revision in methodology of MV’s Reference Rate described in this policy shall be vested with ALCO, however the same shall be ratified by RMC and MV’s Board during the

subsequent annual review of the policy. This Policy is applicable for all the credit facilities offered by MV to its clients.

4. INTERES RATE MODEL

Interest Rate Model/ Methodology:

The interest rate model/methodology is designed with a view to adopt a transparent and fair approach to the customers. Pricing may comprise interest and fees. Fee may be payable upfront or may be linked to usage of the facility.

The rate of interest for the credit facilities shall be determined based on the cost of borrowed funds, tenor of loan, liquidity conditions prevailing in the market, cost of operations including administrative costs, credit risk arising from the borrower or pool of borrowers etc.

MV offers the credit facilities to its customers in the form of fixed interest rate as well as floating interest rate basis. In case of floating interest rates, MV uses its internal Reference Rate or other external benchmark reference rates (*such as RBI's Repo Rate, 3M T bill rate, SBI 3M MCLR, SBI 1YR MCLR etc, the list may get expanded from time to time, based on the practices followed by other market participants*) as may be agreed with the borrower, and builds onto its specific risk premium that may apply from the specific deployment of Product, Loan Tenure, internal/external risk rating and risk profile of the borrower, liquidity conditions prevailing in the market, competition benchmark etc and communicate the final interest rate applicable to the borrowers.

For fixed interest rate offerings, the final interest rate applicable to the borrowers would be decided based on product & customer specific parameters, interest rate volatility, liquidity conditions prevailing in the market, competition benchmark etc. However, unlike floating interest rates that shall be reset at the prescribed intervals, fixed interest rates shall not be reset and remain fixed during the entire tenor of the loan. Sometimes, they can also be fixed with the interest reset option, in which case on the date of reset, the company can change the rate as per the terms agreed with the borrower or can put a condition that it will be benchmarked at the prevailing MV's Reference Rate or prevailing external benchmark rates.

The methodology for calculation of internal benchmark rates i.e. MV's Reference Rate (MRR) are based on following factors.

Weighted Average cost of borrowing: MV borrows funds through term loans, INR ECB debt from Oikocredit (parent company) apart from other financing mode. Weighted average cost of all the external borrowing funds (including fund raising cost) is taken for benchmark calculation.

MV's Reference Rate shall be computed based on the following parameter:

A	Weighted avg. cost of borrowing	xx%
	MV's Reference Rate (MRR)	xx%

Review and the change in the MV's Reference Rate

The revision to MV's Reference Rate shall be decided on quarterly intervals and/or at shorter intervals if required, depending upon market volatility/liquidity conditions prevailing in the market and cost to company or other relevant factors such as competition review. The Finance team shall compute the MV's Reference Rate at the aforesaid prescribed intervals and ALCO shall be the authority to approve such revision, if any to MV's Reference Rate.

Approach for Gradation of Risks

Each customer/ prospective borrower represents a diverse risk profiles based on their respective credit and risk profile. A risk premium i.e. Spread is considered while fixing the overall interest rate on the loan for the customers based upon the gradation of risks.

Spread:

The Spread shall be determined based on analysis of product specific factors and overall credit and borrower risk profile. Thus, the spread shall consist of product-specific factors and customer-specific factors.

Product-specific spread:

Product-specific spread shall be determined based on the Company's historical experience of the product and the tenor of the exposure.

Customer-specific spread:

The customer-specific spread shall be assessed on a case-to-case basis with respect to the customer based on an overall evaluation of the following factors:

- Borrower and Borrower Group's credentials business vintage, future potential, financial risk profile including capitalization, leverage, earnings, debt repayment capability, balance sheet size etc.;
- Past track record, if any in honoring commitments relating to interest/principal servicing and security cover/margin etc;
- Track record with other lenders through CIBIL check/Credit Information Report;
- Internal/External Risk Rating of the Borrower;
- Coverage of collateral and Liquid Assets;
- Any other criteria specific to the transaction;

Therefore, the final interest rate is determined on case to case basis. The rate of interest for the same product and tenor availed during the same period by different borrowers cannot be standardized. It could vary from borrower to borrower depending upon consideration of any or combination of above factors.

5. OTHER CHARGES

- Besides normal interest, other financial charges like processing fee, documentation charges, cheque bouncing charges, pre-payment/ foreclosure charges, part disbursement charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges, changes in terms and conditions (contract change) etc. would be levied by the company wherever considered necessary, as specified in the loan agreements/sanction letters.
- The processing fee shall be max. of 2% of the credit facility/ies sanctioned to the borrower, which may vary for different products and borrowers. The company shall specify the details of applicable processing fee in the loan agreement/sanction letters.
- Besides the base charges, the GST and other cess would be collected at applicable rates from time to time.
- The company may levy penal charges for delay or default in making payments of any dues and for other non-payment related matters such as material covenant breaches. These penal

charges may vary for different products. The company shall specify the details of penal charges in the loan agreement/sanction letters.

- The range of penal charges is given below:

Sr. No.	Nature of non-compliance	Penal/ Default charge
1.	Payment default	Up to 1.0% per month on the defaulted amount for the defaulted period
2.	Non-Payment related - material covenant breaches	Up to 2.0% p.a. on the total outstanding amount for every such covenant breach with a cap of up to 3% p.a. on overall covenant breaches

- Penalty, if charged, for payment default and non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' (*and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances*). There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- The quantum of penal charges shall be communicated to the customer in the loan agreement, sanction letter and most important terms & conditions / Key Fact Statement (KFS) as applicable.

Other Features:

- The company shall adopt a discrete interest rate policy which means that the rate of interest for same product and tenure availed during the same period by separate customers would not be standardized but could vary depending, amongst other things, the customer-specific/product-specific factors mentioned above.
- MV's Reference Rate (MRR) and the approach for gradation of risks shall also be made available on the web-site of the company. The information published in the website shall be updated whenever there is a change in the approach of MV's Reference Rate.
- Change in MV's Reference Rate shall be decided at any periodicity, depending upon market volatility and competitor review.
- Maximum/ Ceiling on Pricing of Credit Facilities shall be made available on the web-site of the company.
- The final interest rates offered shall be on fixed interest rate basis or floating interest rate basis.
- Interest shall be deemed payable immediately on due date as communicated and no grace period for payment of interest is allowed.
- Final interest changes, if any shall be prospective in effect and intimation of change of interest or other charges shall be communicated to customers in a manner deemed fit, as per terms of the loan documents.
- Claims for refund or waiver of such penal charges would normally not be entertained by the company and it is the sole and absolute discretion of the company to deal with such requests.

6. DELEGATION OF POWERS IN LOAN PRICING

- The delegation of powers in fixing final interest rate, processing and other charges shall be vested with the respective Credit Approving Committee.

7. CUSTOMER COMMUNICATION

- MV shall communicate the final fixed/floating interest rate to customers at the time of sanction through sanction letter and subsequent change in MV's Reference Rate and final interest rate, if any through mail and other acceptable mode of communication.
- Annualized rate of interest shall be intimated to the customer
- The sanction letter/loan agreements shall specify the rate of interest among other loan terms and conditions.
- Interest Rate Policy shall be uploaded on the website of the company and any change in the interest rate model and charges shall also be updated on the company web site. Any revision in charges would be implemented on prospective basis with due communication to customers.

8. AMENDMENT

- This policy may be amended or modified in whole or in part, at any time without assigning any reason, whatsoever with the approval of the Board.
- 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.
