



**MONEYBOXX FINANCE LIMITED**

(Formerly Dhanuka Commercial Limited)

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# INTEREST RATESMODEL

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## INTEREST RATE MODEL POLICY

### 1. Introduction

Reserve Bank of India, vide its notification No DNBS. 204/CGM (ASR) – 2009 dated January 2nd 2009 and vide its Guidelines on Fair Practice Code for NBFCs DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012 and DNBS (PD) CC No.388/03.10.042/2014-15 dated July 01, 2014 and subsequently then DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, have directed all NBFCs to communicate the annualized rate of Interest to the borrower along with the approach of gradation of risk and rationale for charging different rate of interest to different categories of borrowers. RBI also reiterated that NBFCs to make available the rates of interest and the approach of gradation of risks on the website of the companies. Keeping in view the RBI's guidelines as cited above, and the good governance practices, the Company has adopted the following internal guidelines, policies, procedures and interest rate model, for its Lending. This needs to be taken into cognizance of while determining interest rate and other charges, and changes thereto.

Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them. The Interest rate model is also required to be made available on the website of the Company so as to enable the customers to understand the logic and methodology of the lending rates charged to them.

The policy of the Company for determining Interest Rates and Gradation of Risks Policy is as follows:

- A. Moneyboxx Finance Limited (hereinafter referred to as "MFL") has its own model for arriving at interest rates taking into consideration among other things Capital Float's weighted average cost of funds, un-allocable overheads and other administrative costs which is further adjusted for ALM mismatch. The weighted average cost of funds is computed taking into account the cost of Capital Float's (CF) aggregate borrowings at the month end time from various sources such as bank, NBFC lines, non-convertible debentures, etc.
- B. This rate is reviewed by Board or such authority where the powers are delegated by the Board.
- C. The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the cost of fund, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers , industry trends, etc.
- D. The company may adopt an interest rate model whereby the rate of interest for same product and tenor availed during same period by customers would be different from customer to customer depending upon consideration of any or combination of a few or all factors listed out in point above. Hence, the interest rate applied would be different from customer to customer and his/ her loans.
- E. The final lending rate for various products offered by MFL 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 of the borrower's premises.

- F. The annualized rate of interest would be intimated to the customer. The interest rates would be offered on fixed, floating, variable basis. The prime lending rate for the floating rates would be reviewed on quarterly intervals. In case of floating rate of interest, the interest rate would be reviewed and reset on quarterly basis. The interest rate would be charged on monthly rest or such other rest as the empowered committee decide in accordance with applicable rules and regulations.
- G. Interest rates / interest type would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- H. The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- I. Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and the manner deemed fit.
- J. 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 and other cess would be collected at applicable rates from time to time as communicated in the documentation provided. Any revision in these charges would be have a prospective effect and will be communicated with the borrower.
- K. 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.
- L. All processing / documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan product, exposure limit, customer segment, geographical location and generally represent the cost incurred in rendering the services to the customers. The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
- M. Any revision in the Company's interest rates applicable to business would be reviewed by the ALCO and Executive Committee under the supervision of the Board of Directors.

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