

POLICY FOR DETERMINING INTEREST RATES, PROCESSING FEES & OTHER CHARGES

1. Introduction

Meghdoot Mercantile Private Limited (“Meghdoot”) is committed to establishing a fair, transparent, and robust framework for determining interest rates, processing fees, and other charges levied on borrowers availing of loan products. This policy is formulated in accordance with the directives, guidelines, and best practices recommended by the Reserve Bank of India (RBI) and other applicable statutory authorities. Meghdoot recognizes that clarity and fairness in pricing are crucial to maintaining the trust and confidence of its borrowers, investors, and regulatory bodies.

By implementing a systematic and well-defined approach to interest rate determination, fee structuring, and associated charges, Meghdoot aims to balance its business objectives—such as cost recovery, risk mitigation, and reasonable profit margins—with the legitimate expectations of borrowers for reasonable and justifiable lending terms. This policy also aligns with Meghdoot’s broader mission to promote financial inclusion, foster long-term relationships with its borrowers, and support sustainable lending practices.

2. Objectives

The primary objectives of this policy are as follows:

- **Fairness and Transparency:** To ensure that all borrowers are made fully aware of the interest rates, processing fees, and other charges applicable to their loans, as well as the factors influencing such determinations.
- **Risk-Based Pricing:** To price loan products in a manner that reflects the borrower’s creditworthiness, market conditions, and Meghdoot’s cost of funds.
- **Regulatory Compliance:** To comply with all relevant RBI guidelines, circulars, and directives regarding interest rate policies and disclosures.

- **Operational Efficiency:** To establish a streamlined methodology for determining, reviewing, and revising interest rates and charges, ensuring consistency and reducing administrative complexities.
- **Customer Satisfaction:** To maintain trust by offering competitive, clear, and well-communicated loan terms, while discouraging intentional delays in repayment through judicious use of penal charges.

3. Scope and Applicability

This policy is applicable to all loan products offered by Meghdoot. It covers:

- Determination of interest rates (fixed or variable) for various loan products and categories of borrowers.
- Processing, documentation, and other charges levied at various stages of the loan lifecycle.
- Additional charges, such as penal interest for delayed payments, cheque/NACH bouncing charges, and loan recovery costs.
- Disclosure of these rates and charges to borrowers and other stakeholders.
- Periodic reviews and updates to reflect changes in regulatory, economic, or strategic circumstances.

All relevant departments within Meghdoot, including Credit, Risk, Legal, Compliance, and Operations, must adhere to the principles and processes outlined in this policy.

4. Regulatory Framework

This policy is developed in conformance with the directives and circulars issued by the RBI and other applicable laws and regulations. Meghdoot remains vigilant in monitoring changes in the regulatory environment, updating its policies, internal guidelines, and operating procedures to ensure full compliance. Any significant amendments resulting from regulatory changes will be promptly incorporated into this policy.

5. Factors Influencing Interest Rate Determination

Interest rates are a critical element of lending and must be determined through a balanced consideration of multiple factors. Meghdoot will take into account, but not be limited to, the following parameters when deciding the lending rate for each loan:

1. Borrower's Risk Profile:

1. **Creditworthiness and Credit History:** This includes the borrower's credit score, track record with previous loans (including those taken from Meghdoot or other lenders), timely repayment history, and the general credit standing in the financial ecosystem.
2. **Default and Credit Risk:** Higher perceived risk, such as inadequate collateral coverage, weaker financial performance, or uncertain cash flows, generally warrants higher interest rates to compensate for potential losses.

1. Market Conditions and Interest Rate Trends:

Meghdoot closely observes the prevailing interest rate environment, money market conditions, and the cost of borrowing from various sources to ensure its lending rates remain competitive and aligned with current financial realities.

2. Cost of Funds:

Meghdoot's cost of borrowing—such as interest rates on funds raised through banks, financial institutions, or capital markets—will serve as a floor. Meghdoot's lending rate will not be lower than the minimum interest rate on funds borrowed by Meghdoot. This ensures the sustainability of operations and avoids unsound pricing strategies that could undermine profitability and financial health.

3. Competition and Benchmarking:

The interest rates charged by other lenders for similar loan products provide useful benchmarks. Meghdoot will regularly review competitor pricing to ensure that its rates are

neither unreasonably high nor non-competitive, always keeping in mind the risk appetite and regulatory constraints.

4. Loan Tenure and Structure:

The tenor of the loan (short-term vs. long-term) may influence the interest rate. Longer tenures carry different types of risks and funding stability requirements, which may be reflected in the final lending rate.

5. Borrower's Historical Relationship with Meghdoot:

Borrowers who have maintained a strong, longstanding relationship with Meghdoot—demonstrated by a consistent record of timely payments, trustworthiness, and compliance with loan conditions—may be offered more favorable interest rates as a reward for their reliability.

6. Operational and Administrative Costs & Profit Margins:

Meghdoot will incorporate its internal cost structures, administrative expenses, credit processing costs, and desired profit margins into the interest rate calculation. This ensures not only cost recovery but also the generation of a reasonable return on lending operations.

6. Interest Rate Structure and Communication

• **Fixed vs. Variable Interest Rates:**

Meghdoot may offer loans on either a fixed or a variable interest rate basis.

- **Fixed Rate Loans:** The interest rate remains constant throughout the loan tenure, offering predictability in repayment obligations for borrowers.
- **Variable Rate Loans:** The interest rate may fluctuate based on predetermined benchmarks or reference rates (such as market-based indices). Changes to

variable rates will be communicated clearly and in advance, ensuring borrowers have sufficient notice to adjust their repayment plans.

- **No Interest on Credit Balance:**

Any credit balance maintained in the borrower's loan account (i.e., an amount paid in excess of the outstanding dues) will not earn any interest. The non-interest-bearing nature of credit balances aligns with standard industry practice and ensures transparency regarding the cost and benefit structures of the loan. Moreover we will not keep any credit balance and the credit balance will be returned to the customer within 7 days of receiving in our bank account.

- **Communication of Rates:**

Meghdoot will inform borrowers of the applicable interest rate at the time of loan sanctioning and ensure that the method of computation (fixed or variable), frequency of interest application, and due dates are clearly stated in the loan agreement. Borrowers must be fully aware of their liability at inception and throughout the loan lifecycle.

- **Adjustments and Revisions:**

Meghdoot reserves the right to revise or adjust interest rates based on evolving market conditions, regulatory changes, or borrower-specific risk assessments. Any revisions will be communicated to the borrower in writing or through electronic means, as permissible by applicable regulations and agreed upon communication methods.

7. Processing, Documentation, and Other Charges

In addition to interest charges, Meghdoot may levy various fees and charges to cover the administrative, operational, and legal costs associated with lending. These charges will be explicitly stated in the loan agreement and communicated to the borrower before the execution of the agreement. The following charges may be applicable on a case-to-case basis:

- **Loan Processing Charges:**

Applied at the time of loan disbursement, these charges cover expenses related to documentation, agreement preparation, credit assessments, and related administrative tasks.

- **Delayed Payment Charges (Penal Interest):**

In the event a borrower defaults on the due date of an EMI (Equated Monthly Installment) or any scheduled payment, Meghdoot may levy a penal interest on the unpaid dues. This charge is intended to encourage timely repayment and not as a profit center. Delayed payment charges help discourage willful or habitual late payments, maintaining the integrity and predictability of Meghdoot's credit operations.

- **Part Prepayment Charges:**

For partial prepayments of the loan principal amount, Meghdoot's general policy may be to charge nil fees, unless otherwise stipulated. This encourages borrowers to reduce their debt burdens more quickly if they have the means to do so. However, exceptions may arise for certain specialized products or schemes, subject to management's discretion.

- **Foreclosure Charges:**

Foreclosure pertains to the complete prepayment of the entire outstanding loan amount before the scheduled maturity.

- **Floating Rate Loans:** Generally, Meghdoot will not levy foreclosure charges for loans on floating interest rates.

- **Fixed Rate Loans:** Foreclosure charges may be applied as decided by the management. This is due to interest rate risk and liquidity considerations associated with fixed rate structures.

- **Cheque/NACH/E-NACH Bouncing Charges:**

If a borrower's payment instrument (cheque, NACH instruction, demand draft, or pay

order) is dishonored, Meghdoot may levy a charge for each instance of defaulted payment. Such charges compensate Meghdoot for the additional administrative burden and costs incurred while re-presenting the payment instrument or attempting alternate means of recovery.

- **Loan Recovery Charges:**

In cases where Meghdoot must undertake additional efforts to recover overdue amounts—such as sending legal notices, engaging recovery agents, placing advertisements, or initiating legal actions—these costs may be passed on to the borrower. Loan recovery charges reflect the extra expenses incurred by Meghdoot in ensuring contract enforcement and minimizing credit losses.

8. Purpose of Additional Charges and Penal Rates

Beyond the initial Loan Processing Charges, Meghdoot's objective in levying additional or penal charges is not to generate profit but rather to promote responsible borrowing and timely repayment practices. By doing so, Meghdoot:

- Encourages borrowers to adhere to their repayment schedules.
- Deters intentional delays or wilful defaults.
- Maintains discipline and predictability in its credit portfolio.

In deserving cases—such as borrowers facing genuine financial hardship, health emergencies, natural disasters, or other extenuating circumstances—Meghdoot may consider waiving or substantially reducing these additional or penal charges. Any such concessions or settlements will be at Meghdoot's sole discretion, subject to internal approvals and justifications.

9. Minimum Lending Rate and Profit Considerations

Meghdoot's lending rate will not be lower than the minimum interest rate on funds borrowed by Meghdoot itself. This ensures that Meghdoot does not engage in unsustainable lending practices that could erode its capital base or compromise its operational viability. While the company aims to remain competitive and borrower-friendly, it must also preserve a

reasonable profit margin to ensure long-term sustainability, investor confidence, and regulatory compliance.

10. Waivers and Settlements

Meghdoot understands that borrowers may sometimes face unforeseen financial difficulties. With appropriate due diligence, it may waive or discount fees, penal charges, or foreclosure charges, especially if the borrower demonstrates genuine hardship or provides satisfactory evidence supporting their inability to pay. Such waivers ensure that the policy maintains a human-centered approach, balancing business interests with empathy and social responsibility.

All requests for waivers or settlements will follow a defined internal approval process, ensuring fairness, accountability, and consistency in decision-making.

11. Disclosure and Transparency

Meghdoot is committed to ensuring that borrowers and other stakeholders have full access to relevant information about its interest rate policy. Transparency builds trust and confidence, preventing disputes and misunderstandings down the line. To this end:

- **Website Disclosure:**

Meghdoot will disclose pertinent details about this Interest Rate Policy on its official website. This may include the methodology for determining interest rates, the range of possible interest rates for different product categories, and the factors influencing these rates.

- **Loan Agreements and Sanction Letters:**

Every borrower will receive a legally binding loan agreement and/or sanction letter outlining the applicable interest rate, processing fees, other charges, payment schedules, default penalties, and conditions for waivers or settlements. These documents will be written in clear, understandable language to minimize confusion.

- **Periodic Updates:**

Should any revision occur in the structure of interest rates or applicable charges, Meghdoot will promptly communicate the changes to existing borrowers in a manner consistent with regulatory requirements and contractual obligations.

12. Governance and Review Mechanisms

To ensure that this policy remains current, relevant, and effective, Meghdoot may subject it to periodic reviews. The Board of Directors, or a designated committee empowered by the Board, will oversee the implementation and periodic assessment of this policy. Key aspects of governance include:

- **Annual or Periodic Reviews:**

Meghdoot may review and update the policy periodically, at least once a year, or more frequently if needed due to regulatory changes, market shifts, or strategic realignments.

- **Approval by the Board of Directors:**

Any significant modification or amendment to this policy will be presented to the Board of Directors for approval. This ensures that the highest level of corporate governance oversees the strategic direction of Meghdoot's lending policies.

- **Internal Audits and Compliance Checks:**

Meghdoot's Internal Audit and Compliance Teams will regularly examine adherence to the policy's guidelines, suggesting improvements and corrective measures whenever discrepancies or deviations are detected.

13. Compliance with RBI Guidelines

Meghdoot shall adhere strictly to all applicable RBI guidelines governing interest rates, disclosure norms, fair lending practices, and customer grievance redressal mechanisms. In the

event of a conflict between this policy and any regulatory directive, the latter shall prevail, and the policy will be promptly updated.

14. Customer Engagement and Grievance Redressal

While not directly related to the setting of interest rates and charges, Meghdoot acknowledges the importance of fostering positive borrower relationships. Borrowers are encouraged to reach out to Meghdoot's customer service or designated grievance redressal officers with any queries or concerns regarding the interest rates, fees, and charges levied. Prompt, fair, and transparent handling of complaints strengthens borrower confidence and ensures accountability.

15. Effective Date and Communication

This policy becomes effective from the date it is approved by the Board of Directors or a duly authorized committee. Meghdoot's management will ensure that all relevant staff members are trained and informed about the policy, and that systems, documentation, and operational processes are aligned with the guidelines herein.

Conclusion

By implementing this comprehensive Interest Rate, Processing Fee, and Other Charges Policy, Meghdoot Mercantile Private Limited reaffirms its commitment to ethical, responsible, and transparent lending practices. The policy is designed to serve the interests of both borrowers and Meghdoot by providing a clear framework for determining lending rates, associated charges, and the conditions under which these may be revised or waived.

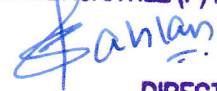
In doing so, Meghdoot aims to promote an environment of trust, consistency, and financial prudence, thereby fostering long-term, sustainable relationships with its borrowers, complying fully with regulatory mandates, and contributing positively to the financial sector's overall stability and inclusiveness.

Effective Date: 1st June, 2024

Policy Owner: Meghdoot Mercantile Private Limited

Review Frequency: Annually or as required based on regulatory changes & Board directive.

For, MEGHDOOT MERCANTILE (P) LTD.



DIRECTOR