



DMI FINANCE

POLICY ON INTEREST RATE AND CHARGES
OF
DMI FINANCE PRIVATE LIMITED

Document Review and Approval Revision:

	Ver . No.	Summary of Change	Prepared/ Owned by	Reviewed by Departmental Head	Recommended by (Management Committee)	Further recommended by (Board Led Committee)	Approved by (Board of Directors)	Effective Date
1	6.0	Review of guidelines for determining interest rates, processing fees, and other charges	Mr. Ayan Dutta, Head – Credit and Policy – Consumer Finance	1. Mr. Arindam Das, CEO- Consumer Credit & MSME Loans 2. Mr. Raj Tripathi, Chief Compliance Officer 3. Mr. Nicky Sharma, Chief Risk Officer	Product and Process Approval Committee in its meeting held on December 13, 2024	Risk Management Committee of the Board in its meeting held on December 14, 2024	Board of Directors on December 14, 2024	December 14, 2024

Previous Version History:

Date of Review	Date of Next Review	Comments/Remarks/Changes
September 3, 2021	On or before September 2022	Annual Review and modification of various sections.
May 20, 2022	On or before May 2023	General alignment with regulatory provisions/laws and business of the Company.
May 22, 2023	On or before May 2024	Annual Review
April 24, 2024	On or before April 2025	General alignment with regulatory provisions/laws and business of the Company.
November 1, 2024	On or before November 2025	General alignment with regulatory provisions/laws and business of the Company in light of the instructions received from the Reserve Bank of India ('RBI') vide its order dated October 17, 2024.

1. PREAMBLE

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 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 view of the same, DMI Finance Private Limited (“**DMI**” or the “**Company**”) has formulated this Policy on Interest Rate and Charges (“**Policy**”) to enable establishment of interest rates and to be used for different customer segments and for different lending products offered by the Company.

2. OBJECTIVES OF THE POLICY

The objective of this Policy is to standardize the methodology used to charge interest rate and charges for different customer’s segments and loan products. This policy provides the basis and guidance for determination of interest rates, penal charges, prepayment charges, processing charges etc. to be charged by DMI. This policy has been updated by DMI from time to time to align it with the Fair Practices Code and other applicable regulatory requirements prescribed by the Reserve Bank of India (RBI).

3. IMPLEMENTATION OF THE POLICY

The Board of Directors shall have oversight on DMI’s Policy on Interest Rate and Charges. The Board may delegate certain operational aspects to the Risk Management Committee/ other relevant board / management committee as deemed fit by the Board of Directors in order to ensure effective implementation of the Policy on Interest Rate and Charges. Such committee will determine the pricing range for different customer segments and products in accordance with this Policy on Interest Rate and Charges and recommend to the Board for its approval.

The interest rates to be charged for different segments and customers will be decided by the business teams basis the range of rates approved by the Board. The business teams will take into account relevant factors, including prevalent market conditions, competition and ability of the target customer base to service such interest while determining the rate to be charged within the range approved by the Board.

4. FAIR PRACTICES CODE

All aspects such as collection, communication, revision etc. pertaining to the interest rate model shall be undertaken as per the Board approved Fair Practices Code of the Company. The clauses outlined in this policy is formulated in line with Fair Practices Code as approved by the Board. Further, DMI does not resort to any unfair practices like collection of excessive interest from the Customers in any manner.

5. INTEREST RATE MODEL

DMI lends money to its customers through fixed rate loans. DMI currently does not provide floating rate loans and this Policy on Interest Rate and Charges will be revised appropriately in the event DMI proceeds to provide such loans in the future.

The interest rate model shall ensure compliance with applicable laws and directions given by Reserve Bank of India and that the rates are not usurious.

DMI being a diversified NBFC lends money through various products to cater the needs of different categories of customers. The interest rate for different customer segments and loan products is established by the Company based on the following factors:

Sr. No.	Factors	Description
1.	Cost of funds	<p>This 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 and the cost of such equity is considered to arrive at the weighted average cost of capital.</p>
2.	Cost of Liquidity	DMI needs to keep a liquidity buffer to manage liquidity risk and this liquidity buffer comes with negative carry.
3.	Operating costs and deployment costs	It includes employee expenses, branch related fixed and variable costs, operations costs, sales and marketing expenses, etc. These also include fees paid to channel partners and sourcing partners.
4.	Risk Premium	Prices may vary depending upon internal assessment of likelihood of delinquency or potential loss from customer segments basis business, customer segment, geography, sourcing channel and other factors as illustrated in para 6 below.
5.	Margin	A certain margin is also factored in to arrive at the final interest rate to be charged to a borrower. This is to factor in the earning spread on the net amount (income- cost).

6. APPROACH FOR GRADATION OF RISK

The following factors are relevant for the purpose of determining risk premium:

Tenor

The weighted tenor of the segment is also considered as an input to arrive at the annualized loss projections and annualized components for other cost functions like partner fee, Opex and margin to arrive at the minimum pricing threshold for a segment.

Risk Factors

Multiple Risk Factors are considered to arrive at the final pricing for a segment, mentioned below-

- Internal Risk Score thresholds;
- External risk exhibited by Credit Bureau data;
- Bureau profile of the borrower – Function of the trades & enquiries appearing in Bureau.

Other Risk Factors

- Debt to income ratio – Indicator of leverage;
- Affluence & Employment traits;
- Collateral – For secured loans, type/quality of the underlying asset;
- Borrower relationship – Existing customers with a good repayment history receive preferential rates vis-à-vis new ones;
- Macroeconomic factors – Inflation, Unemployment rate, Central bank repurchase rates ('REPO'), Reverse REPO, Statutory Liquidity Ratio ('SLR') etc.), Regulatory guidelines;
- Additional data-based signals – Bank Statement, Goods and Services Tax ('GST'), Employees Provident Fund Organisation ('EPFO') details etc.;
- Competitive landscape – Rates also vary in line with what is offered by other lenders in the same/similar domain;
- Historical performance of similar homogeneous clients;
- Industry segment;
- Tenor of Loan;
- Geography specific delinquency rates and collection performance;
- Customer Indebtedness (other existing loans);
- Regulatory stipulations, if applicable; and
- other factors that may be relevant in a particular case and as deemed fit by the Board of Directors of the Company ("Board").

The pricing assigned to a segment also factors in the loan rate offered to a customer by other lenders, for a very low risk customer appropriate benefit is passed on in the form of pricing reduction and vice versa for high risk. This is to handle the outliers within a homogeneously defined risk segment based on benchmarking activity.

The rate of interest for the same product and tenor availed during the same period by different customers need not be the standardized one. It could vary for different customers depending upon consideration of all or any combination of above factors. The indicative interest rate to be charged from the borrowers is currently as mentioned in the *Annexure-1*.

The applicable interest rates would be reviewed and revised semi-annually and as and when needed depending upon changes in the factors taken into account for determination of the interest rate. Such review may be delegated by the Board to the Risk Management Committee or such other committee/ authority as the Board may deem fit.

7. PENAL/ OVERDUE CHARGES:

The Company may collect penalty for non-compliance of material terms and conditions of loan contract by the borrower only by way of penal charges and the same shall not be collected as penal interest that is added to the rate of interest charged on the loan amount. Further, late payment fees may be levied on a borrower who fails to make loan due payment by the due date or there is a bounce instance received from the registered bank account for auto debits.

The penal charges shall not be capitalized by the Company 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 Company shall also not introduce any additional component to the rate of interest charged to the borrower and shall ensure compliance with the above.

The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.

The Company shall not, under any circumstances, levy higher penal charges to individual borrowers, who have availed the loan for purposes other than business, than non-individual borrowers for similar non-compliance of material terms and conditions.

Disclosure requirements: The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) provided to them (pursuant to RBI Guidelines on Digital Lending dated September 02, 2022 and RBI Circular dated April 15,

2024 on Key Fact Statements for Loans and Advances) and the loan agreement. The same shall be displayed on websites of NBFs under Interest rates and Service Charges.

Further, whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the Company will communicate the penal charges associated with the same to the Borrower. Any instance of levy of penal charges by the Company shall be communicated to the borrower along with the reason thereof.

The penal charges/ late payment fees levied by the Company on the customer is provided in *Annexure-2*.

8. PRECLOSURE CHARGES:

The Company may, at its sole discretion, allow the prepayment of the loan amount subject to certain conditions and on payment of charges by the customer. This will be documented clearly in the financing documents, including the loan agreement. The pre-closure charges charged from the customer by the Company are provided in *Annexure-2*.

9. OTHER FEES/CHARGES:

The Company generally charges a fee on the loan amount depending on the category of loan and risk associated in the form of processing fees/ non-refundable upfront fee. These charges would be decided or revised by the competent product approval committee by way of amendment to existing product approval document.

The fees/charges charged by the Company on the Customer is provided in *Annexure-2*.

Other costs and charges such as stamp duty, service tax and other cess would be collected at applicable rates.

All such charges will be disclosed clearly in the loan documentation with the borrower, including in the key facts statement and shall not be charged unless disclosed in the Key Facts Statement (provided pursuant to RBI Guidelines on Digital Lending dated September 02, 2022 and RBI Circular dated April 15, 2024 on Key Fact Statements for Loans and Advances).

DMI will ensure that any fees, charges, etc., payable to any lending service providers in respect of the digital loans provided by DMI are only paid directly by DMI and are not charged by any lending service provider to the borrower directly.

10. ANNUALIZED RATE

The Company will communicate annualized rate of Interest to all its borrowers so that its borrowers are aware of exact rates that will be charged to respective loan facilities. The interest could be charged on monthly or quarterly rests for different products / segments as provided in the loan documents agreed with the customer.

Further, in respect of loans falling within norms applicable to digital lending, annualized percentage rate ("APR") i.e. the effective annualized rate charged to the borrower of a digital loan, shall be the all-inclusive cost to the borrower, including processing fee, verification charges, maintenance charges, etc., but excluding contingent charges like penal charges, late payment charges. The APR shall be disclosed upfront by DMI to each borrower and shall also be a part of the Key Fact Statement issued by DMI in respect of each digital loan under the Guidelines on Digital Lending issued by the Reserve Bank of India.

11. CEILING ON INTEREST RATE

The Company will ensure that the applicable rate of interest to any borrower should not exceed the maximum rate fixed for each product offered by the Company. The interest rate charged to the customer will not exceed 28% per annum.

12. COOLING OFF PERIOD

The customer will be provided with a clear option to exit a digital loan by repaying the principal and the applicable proportionate APR without incurring any penalties during this time. The cooling-off period will be three days for loans having tenor of seven days or more and one day for loans having tenor of less than seven days.

13. COMMUNICATIONS

A. DMI shall communicate to the customer upfront at the time of loan sanction:

- a) Key Fact Statement (KFS) to the borrower before the execution of the contract in a standardized format for all digital loans as per the Digital Lending Guidelines and RBI Circular on Key Facts Statement (KFS) for Loans & Advances dated April 15, 2024, as applicable.
- b) The amount of loan sanctioned along with the terms and conditions including annualized rate of interest and annualized percentage rate (inclusive of all costs and charges other than the contingent charges like penal charges and late payment charges etc.
- c) Details of the penal charges / overdue charges and the other charges payable by the customers in relation to their loan account and method of application thereof and late payment fees for late repayment of loan would be mentioned in bold in the loan agreement).

B. Changes to the Interest Rate/ Charges

Any change in any of the terms and conditions, including annualized rate of interest or any charges, shall be **communicated** to the customer through electronic media or any other form of communication prior to implementation.

DMI shall also ensure that changes in interest rates and charges are affected only prospectively and this should be duly recorded in the loan agreement/ terms and conditions of financing.

14. DISCLOSURE ON THE WEBSITE

The Policy which contains the rates of interest pertaining to each product category offered by the Company as well as Approach for Gradation of Risk shall be placed in the website of the Company. any change in the rates and charges for existing customers shall also be uploaded on the website of the Company.

15. EMPLOYEE LOAN

The loans provided to the employees below Senior Officers level are governed by the Internal policies of the Company. Further, the loan and advances to Directors and Senior Officers of the Company shall be governed by the Board approved policy in this regard.

16. REVIEW OF THE POLICY

The Policy shall be amended or modified with approval of the Board. The Policy shall be reviewed by the Board on an annual basis. Consequent upon any amendments in RBI guidelines or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board taking into account recommendations made by the Risk Management Committee/ other relevant board committee.

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.

Interest Rate Model**(1) Consumption Loans**

Consumer Loan Program	Mobile Phones (Incl. Tablet & Accessories)	Other Consumer Electronics	Checkout Financing (POS/Ecom)	Electric Vehicle (2W/3W & 4W)
Minimum Ticket Size (INR)	5 Thousand	5 Thousand	3 Thousand	30 Thousand
Maximum Ticket Size (INR)	2 Lac	2 Lac	2 Lac	20 Lac
Maximum Rate of Interest	28.0%	28.0%	28.0%	24.0%

Minimum Tenor (in Months)	3	3	3	12
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Maximum Tenor (in Months)	36	36	24	60
Processing Fees (INR) (% of Loan Amount)	Upto 3.95%	Upto 3.95%	Upto 3.95%	Upto 2%

(2) Personal Loans

Category of Borrower >>	Salaried (ETC* - Category A~)	Salaried (ETC* - Category B~)	Self Employed (ETC*)	Salaried/ Self Employed (NTC**)	LAS***/ LAMF^
Minimum Ticket Size (INR)	10 Thousand	10 Thousand	10 Thousand	10 Thousand	25 Thousand
Maximum Ticket Size (INR)	10 Lac	8 Lac	10 Lac	5 Lac	1 Crore
Maximum Rate of Interest	24.0%	28.0%	28.0%	28.0%	18.0%
Minimum Tenor (in Months)	3	3	3	3	12
Maximum Tenor (in Months)	60	48	60	48	60
Processing Fees (% of Loan Amount)	Upto 3.95%	Upto 3.95%	Upto 3.95%	Upto 3.95%	Upto 2%

~ Category A - Salaried borrowers with high affluence and/or low risk

~ Category B - All other salaried borrowers

** ETC - Existing to Credit*

*** NTC - New to Credit*

**** LAS - Loan Against Shares*

^ LAMF - Loan Against Mutual Funds

(3) MSME Loans (Unsecured Term Loan/ Supply Chain Finance)

MSME / Business Loans	Unsecured Business Term Loan	Unsecured Business Term Loan	Unsecured Business Term Loan	Supply Chain Finance
Ticket Size	Micro Ticket	Small Ticket	Large Ticket	Micro/Small/ Large Ticket
Minimum Ticket Size* (INR)	30 Thousand	5 Lac+	25 Lac+	1 Lac
Maximum Ticket Size* (INR)	5 Lac	25 Lac	100 Lac	1,000 Lac
Maximum Rate of Interest	28%	28%	26%	25%
Minimum Tenor (in Months)	6	12	12	7 days
Maximum Tenor (in Months)	36	36	48	180 days
Maximum Processing Fees/Other Fees (percentage of the Loan Amount)	Upto 3.95%	Upto 3.95%	Upto 3.50%	Upto 2.00%

(4) MSME Loans (Secured Term Loans)

MSME / Business Loans	LAP*	LAP*	LAP*	EPM** Loan	EPM** Loan	EPM** Loan
Ticket Size	Micro Ticket	Small Ticket	Large Ticket	Micro Ticket	Small Ticket	Large Ticket
Minimum Ticket Size (INR)	5 Lac	25 Lac+	50 Lac+	1 Lac	10 Lac+	25 Lac+
Maximum Ticket Size (INR)	25 Lac	50 Lac	200 Lac	10 Lac	25 Lac	200 Lac
Maximum Rate of Interest	22%	21%	20%	25%	24%	22%
Minimum Tenor (in Months)	12	12	12	12	12	12
Maximum Tenor (in Months)	120	120	144	60	60	72
Maximum Processing Fees/Other Fees (percentage of the Loan Amount)	Upto 3.50%	Upto 3.00%	Upto 2.00%	Upto 3.95%	Upto 3.50%	Upto 3.00%

“LAP - Loan Against Property

**EPM - Equipment, Plant & Machinery (including solar)

DETAILS OF CHARGES

Sr. No.	Particulars	Personal Loan	Consumption Loan	Electric Vehicle Loan	Loan Against Securities
1	Overdue Charges	1% to 4% p.m. on overdue amount	1% to 2% p.m. on overdue amount	1% to 2% p.m. on overdue amount	1% to 2% p.m. on overdue amount
2	Preclosure Charges	(2% to 5% on balance Principal + GST)	3% on balance principal + GST for CIB loans	3% on balance principal + GST for CIB loans	3% on balance principal + GST for CIB loans
			0% on subvented loans		
3	Other fees/charges		500/- + GST (One-time mandate rejection charges)	500/- + GST (One-time mandate rejection charges)	*Facility renewal fees - 1% + GST of sanction amount
					*Stamp duty payable as per state laws
				Legal & Repossession charges on actuals	*Brokerage charges (As per actuals, charges levied by Broker to DMI)
					*DP charges (As per actuals, charges levied by NSDL/CDSL to DMI)
					*Pledge confirmation charges (As per actuals, charges levied by NSDL/CDSL to DMI)
		*Pledge invocation charges (As per actuals, charges levied by NSDL/CDSL to DMI)			
4	Late Payment Fees	₹550+GST for <75,000 ₹650 + GST for 75000 – 1,00,000 ₹750 +GST for > 1,00,000	up to 550/- + GST	up to 550/- + GST	up to 550/- + GST

Sr. No.	Particulars	MSME Unsecured Loans		MSME Secured Loans	
		Term Loan	Supply Chain Finance	Loan Against Property	Equipment, Plant and Machinery Loans
1	Late Payment Fees	Upto INR 1200 + GST			
2	Overdue Charges	Upto 3% + GST per month on overdue amount			
3	Mandate Rejection Charges	INR 500 + GST			
4	Pre-closure Charges	Upto 5% + GST on outstanding principal			
5	Other fees/charges	-	Upto 1% + GST (Facility renewal fees; Documentation charges or any other as applicable)	Upto INR 10,000 + GST (Documentation / Collateral valuation & assessment and inspection charges; Legal / Registration / Stamp Duty charges or any other charges as applicable)	

“Overdue Charges” means the default interest as prescribed in the Key Fact Sheet which is payable on all amounts which are not paid on their respective Due Dates

"Pre closure charges" Pre-closure charges for Loans are the fees or charges levied by (RE – Regulated Entity)when a borrower chooses to pre-pay their outstanding loan amount before the stipulated end of the loan tenure.

"Late Payment Fees" It refers to a penalty or extra charge associated with late payment of the borrower's financial obligations.