



INTEREST RATE AND PENAL CHARGES POLICY

Zeal Holdings Pvt Ltd



*(This policy was approved by the Board of Directors in the Board Meeting
held on 23rd of August 2024.)*

Documents Details

Particulars	Details
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1. Introduction

- a) The Reserve Bank of India (RBI), through its Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, has advised all Non-Systemically Important Non-Deposit taking NBFCs to establish clear internal principles and procedures for determining interest rates, processing fees, and other charges. The RBI also mandates that such policies be published on the NBFC's website and updated whenever changes occur.
- b) The Board of Directors of Zeal Holdings Pvt Ltd ("Company") approved this Interest Rate and Penal Charges Policy ("the Policy") in their meeting held on August 23rd 2024. The Policy has been revised to align with current internal policies and regulatory requirements.
- c) This Policy must be read in conjunction with the extant RBI guidelines, directives, circulars, and instructions.

2. Objective

The main objectives of this Policy are to:

- a. Ensure that interest rates are set to support the long-term sustainability of the business while considering the interests of all stakeholders.
- b. Develop and adopt a suitable model for calculating interest rates for MSME B2B merchant business loans.
- c. Ensure that interest rates are reasonable, both in practice and perception.
- d. Guarantee that the computation of interest is accurate, fair, and transparent, in line with regulatory guidelines and market practices.
- e. Apply differential interest rates based on assessed risk factors.
- f. Establish the principles and methodology for applying spreads to determine the final rates charged to customers.

3. Role of Board of Directors

The Board of Directors will oversee the implementation and adherence to this Policy, ensuring its effective execution and alignment with the Company's strategic objectives.

4. Determination of Interest Rates on Loans and Credit Facilities

The Company provides loans to MSME B2B merchants through various digital platforms. Interest rates for these loans are determined based on:

- a. **Cost of Capital:** The cost associated with equity and debt capital utilized by the Company to fund its lending operations.
- b. **Weighted Average Cost of Borrowing:** Includes costs from various sources of borrowing, such as banks and financial institutions, and associated costs like brokerage and consultancy fees. Interest rates will reflect fluctuations in borrowing costs due to market conditions.
- c. **Risk Factors:** Evaluation of credit risk related to the loan's tenure, type of facility, loan size, geographical area, industry segment, customer's financial stability, and repayment history. Risk premiums will be applied accordingly.
- d. **Operational Expenses (Opex):** Includes costs related to employees, infrastructure, operations, marketing, and other overheads.
- e. **Profit Margin:** A fair profit margin is added to determine the final lending rate. The Company may apply different margins based on customer-specific risk profiles. All customers will be informed of the applicable interest rate.

b) The Board of Directors has determined that the interest rate for MSME and corporate clients merchant business loans will range 9% to 36% p.a

5. Processing Fees / Penal Charges / Other Charges

- a. In addition to interest, the Company may levy processing fees, charges for EMI bounce, late repayment penalties, rescheduling fees, prepayment/foreclosure

charges, part disbursement fees, and charges for issuing account statements. Stamp duty, GST, and other applicable taxes will be collected. Changes in these charges will be communicated to customers and implemented prospectively.

- b. The Company will impose an EMI bouncing charge of ₹500 plus GST.
- c. Penal charges will not be capitalized (i.e., no further interest will be computed on penal charges), and no additional components will be added to the interest rate.
- d. Customers may be subject to penal interest and late payment fees from the company if there is any delay or default in repaying the debt. The company will periodically determine the penal interest and late payment fees, which will then be disclosed to the clients in loan agreements and sanction letters. Additionally, the Company's website will carry a list of these fees.
- e. Penal charges will be reasonable and proportionate to the breach of loan terms and will be uniformly applied within each product category.
- f. The amount and rationale for penal charges will be detailed in the loan agreement and Key Fact Statement (KFS).
- g. Updates to penal charges will be displayed on the Company's website.
- h. Applicable penal charges will be clearly communicated to borrowers when reminders for non-compliance are issued.
- i. Any imposition of penal charges and the reasons for such charges will be communicated to borrowers.

6. Communication to Customers

- a. The effective rate of interest will be communicated to customers at the time of loan sanctioning or disbursement through appropriate channels. The Policy will be available on the Company's website, and updates will be posted there.
- b. Changes in rates and charges for existing customers will be communicated via the website, digital platforms, email, letters, SMS, or other methods. No changes will affect loans contracted prior to such changes during their tenure.

7. Waiver / Reduction of Charges

The Managing Director or Business Head – Loans is authorized to waive or reduce charges, including principal, interest rates, and processing fees, at their discretion. This authority may be delegated to other designated individuals.

8. Amendments to This Policy

The Board of Directors is authorized to amend this Policy in response to changes in the financial market environment, including adjustments in interest rates and applicable charges for various loan products.