



## **INTEREST RATE POLICY**

*(Last Amended in the Board dated 20<sup>th</sup> March, 2019)*

### **I) INTRODUCTION:**

The Company has been following certain procedures and practices in the matter of fixing interest rates on gold loans (assets) and NCDs/Subordinated Bonds (liabilities). Interest rates are not controlled by the Reserve Bank of India. However, RBI has vide circular DNBS. CC.PD. No.266/03.10.01/2011-12 dated 26 March 2012 (Guidelines on Fair Practices Code for NBFCs) directed NBFCs to have a documented Interest Rate Policy / Model approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs. The specific points referred to in the above referred RBI circular are,

- i) Charging of excessive interest rates by NBFCs.
- ii) The need for adoption of an interest rate model along with approach for gradations of risk & rationale for charging differential rates.
- iii) Disclosure of rates of interest rates, changes thereof and publicity thereto.
- iv) Adoption of annualized rates of interest while dealing with customers.

### **II) OBJECTIVES**

The main objectives of the interest rate policy are to:

- i) Ensure that interest rates are determined in a manner as to ensure long term sustainability of business by taking into account the interests of all stakeholders,
- ii) Develop and adopt a suitable model for calculation of a reference rate,
- iii) Enable fixation of interest rates which are reasonable: both actual and perceived.
- iv) Ensure that computation of interest is accurate, fair and transparent in line with regulatory expectations and market practices.
- v) Charge differential rates of interest linked to the risk factors as applicable.
- vi) Facilitate transition to income recognition norms that may be stipulated by RBI in future and adoption of best practices.



### **III) DETAILS OF POLICY - Gold loans:**

#### **A) Methodology for calculation of interest on loan accounts**

The main spirit underlying the methodology is to project a transparent and fair approach to the customers and also be in readiness to adopt the practices now in vogue amongst commercial banks keeping in view the peculiarities of the gold loan business.

i) On the daily balances

Interest amount shall be calculated on the daily outstanding balance in the loan account at the applicable rate. Thus if the annualized rate of interest applicable is R% the interest amount for each day would be

$$\frac{R \times \text{Amount outstanding}}{36500}$$

ii) Minimum period for which interest chargeable:

The minimum period for which interest is payable by the borrower shall not exceed 1day only. Interest payable / receivable shall be calculated on the actual daily outstanding balance.

iii) Basis - number of days per year:

Interest shall be calculated based on 365 days a year. Dates of disbursement and closure of account shall both be included for computation of interest. However, MD&CEO may approve any exclusion of date of Disbursement or date of Closure of Account for a particular scheme or loan account as rebate.

iv) Compounding:

Compounding of interest where applicable, as provided in the loan scheme, shall not be at a frequency more than 1 month / 30 days in a year

v) Fixed rate Floating rate

All the loans shall be granted at fixed rate only.



**B) Annualised rate of interest**

- i) Interest rate quoted shall be on annualized basis only in all documents, internal instructions/ communications and publicity materials (pamphlets, brochures, hoardings, etc)
- ii) Where the rates are mentioned in non-annualized form (e.g. in product promotion) the annualized rate shall also be mentioned along with so as to comply with regulatory requirements and Fair Practices Code,

**C) Risk Based Gradation of Interest Rates**

- i) Considering the nature of the Gold loans (collateral valuation being vital) the major inherent risk is the Loan to Value (LTV) or Loan per Gram. Since a higher LTV translates to a higher risk it stands to reason that LTV and Interest rate should be correlated. Accordingly, assuming all other factors to be the same a higher LTV loan should attract a correspondingly higher interest rate as compared with a lower LTV loan.
- ii) The LTV linkage with interest rate shall be at the time of sanction of loan and cannot be changed subsequently due to movements in the overall collateral coverage arising from market movements in gold prices,
- iii) Where substantially low rates of interest are charged on certain / special schemes or in specified regions/areas / branches the maximum amount per borrower shall be appropriately restricted and checks put in place to prevent misuse of the facility. Such schemes shall be periodically reviewed and appropriately modified to meet with the overall objectives of floating such schemes.

**D) Maximum/ Ceiling Interest Rate on Loans**

- i) Keeping in view the regulatory (RBI) expectations from NBFCs and also the Fair Practices Code the maximum interest rate chargeable shall be fixed at 36% p.a during the normal loan tenure across all states / regions excluding compounding effect where applicable under any schemes.
- ii) Penal interest and other out of pocket expenses charged from the borrowers will be exclusive of the ceilings mentioned above.



The above mentioned ceilings shall be reviewed periodically at quarterly (calendar) intervals or more frequently, as and when required, by the Board of Directors keeping in view regulatory guidelines / directives,

intensity of competition in the market, net interest margin target, market rates etc.

#### **E) Penal Interest on overdue loans**

When the loan remains outstanding beyond the 'normal' tenure (Between 3 Months and 1 year) without FULL servicing of interest due penal interest may be charged at a rate not exceeding 3% pa (i.e. at the contracted rate plus 300 basis points) on the amount due and payable. Penal interest provisions shall be calculated and will apply only after the expiry of the 'normal' tenure.

Penal interest may be waived, in full or in part, in deserving cases with the reason being recorded by Managing Director & CEO on the recommendations of the Executive Director which is at present on recommendation of DY-CEO.

#### **F) Rebate on interest**

Schemes offering rebate on the interest rate may also be considered on the ground that customers who regularly service interest payable on loans deserve to be incentivized. The extent of rebate may vary from scheme to scheme but may not exceed 3% pa (300 basis points on the contracted rate). Rebate may be considered at the time of full settlement in cases where interest payable has been serviced by the due dates without any default on all occasions. However, a grace period of 3 calendar days may also be considered and built into the loan scheme.

#### **G) Due date for servicing interest**

Interest will be calculated from the date of disbursement and shall be charged for the day of closure of the account also as per current practice. The due date for payment of interest shall run from the date of disbursement.

#### **H) Structured Products**

Products offered and features thereof shall be straight forward, transparent and simple to understand so as to comply with the letter and spirit of RBI guidelines. Structured products, when introduced,



should comply with the basic features of the Interest Rate policy and the FPC. Features of such products, especially the differential features, should be clearly explained to and understood by the prospective borrower before sanction as a matter of fair practice. Operational personnel should be well equipped in this regard.

### **I) Base Rate and Net Interest Margin**

- i) In order to arrive at a proper basis for arriving at the cost of borrowings / funds / resources a suitably calculated 'base rate' shall be developed keeping in the weighted average cost of borrowings, interest paid on liability products (NCDs / Subordinated Bonds) and return on equity capital. Return on equity capital shall be taken at 18 %, Interest rate on loans shall be based on the 'base rate' so that scope for interest rate mismatches is minimized.
- ii) The base rate shall be calculated and approved by the ALCO (para L below
- iii) The NIM (Net Interest Margin) shall be calculated over the 'base rate' so calculated to arrive at the lending rate.
- iv) Considering the short-term maturity and liquidity of the gold loans, the NIM for gold loans shall be capped at 14% (1400 basis points) over the 'base rate'.
- v) Lending at or below the 'base rate' shall be done only for short term promotion of business either for a specific loan scheme or specific branch(es) or for lending to poor downtrodden sections.
- vi) Lending at or below the 'base rate' shall not exceed 10% of the total loan portfolio.
- vii) Lending at below the ['base rate' plus operational expenses] shall not exceed 15% of the total loan portfolio.

### **J) Interest rates on loans - Commercial Vehicles**

- The Interest rate applicable to each loan account will be assessed based on multiple parameters like tenure, borrower profile, borrower's repayment capacity based on the cash flows, loan to value of the asset financed, type of collateral security provided by the borrower and past repayment track record of the borrower, etc.



- The rates of interest for the same product and tenor availed during same period by different customers need not be standardized but could be different for different customers depending upon

consideration of any or combination of a few or all factors listed above.

- The Company shall intimate the borrower loan amount, annualized rate of interest and method of application at the time of sanction of the loan along with the tenure and amount of monthly installment.
- The company also offers variable and equated monthly installments schemes. Interest would be charged and recovered on monthly basis.
- The other charges such as processing fees, additional interest charged on delayed payments are 3% and cheque bouncing charges are Rs 500 per bounce mentioned in the Schedule which is part of the Loan Agreement.
- Other financial charges like pre payment/ foreclosure charges 4% if loan ageing < 12 months, Else 2%, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges, field collection charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be with prospective effect.
- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our offices and branches. Prior to entering into an agreement with our customers, we provide them with our statement of charges and interest and address their queries and questions on the same, to their satisfaction. Our loan officers ensure charges and rates of interest are explained clearly and transparently to the people who may be interested in our products.
- Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained by the company and it is at the sole discretion of the company to deal with such requests if any.



- The maximum interest rate chargeable shall be fixed at 28% p. a. across all states / regions / vehicle categories / borrower categories.

### **Interest Rates - Two-wheeler Finance**

- The Interest rate of the applicable to each loan account will be assessed based on the multiple parameters like
  - Tenure of the loan
  - Borrower Profile
  - Borrower repayment capacity
  - Loan to value ratio (LTV)
  - Type of collateral security provided
  - Past repayment track
- The maximum interest rate will be chargeable at the 24% p.a. across the all states/ regions/ vehicle category/borrower category.

### **K) Interest Rate for SME Finance**

- The interest rate applicable to each loan will be assessed based on multiple parameter like cost of borrowed funds, Inherent credit and default risk in the products and the profile of the customers, Nature and value of securities, Profile of the customers, Past repayment track of the customers, External and internal rating of the customers, Industry trend, Offerings by the competition and, Future business potential
- The rate of interest may be different for different customers depending upon an evaluation of the factors listed above.
- All loans shall be granted a fixed rate only.
- Interest rates will be intimated to the customers at the time of sanction of the loan and the interest and principal repayment schedule will be made available to the customer.
- Interest rate quoted shall be on annualized basis only in all the documents, internal instructions / communications and publicity materials.



- Where the interest rates are mentioned in non-annualized for promotional purpose, the annualized rate shall also be mentioned along with so as to comply with regulatory requirements and Fair Practice Code.
- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.
- Apart from normal interest, the company may levy additional /penal interest for any delay or default in making payments of the dues.
- Besides interest, other financial charges like processing fees not exceeding 4%, late payments, pre-payment charges 3% of the prepaid amount and foreclosure charges are 3% of principal outstanding etc. may be levied by the company under due communication to the customer, wherever considered necessary. Any revision in these charges would be with prospective effect.
- Bounce charges in case of EMI / other dues is as follows –
  - Rs 500 will be charges for 1<sup>st</sup> time bounce
  - Rs 750 will be charges for the 2<sup>nd</sup> return without clearing the first returned EMI
  - Rs 1000 will be charged for 3<sup>rd</sup> time return and without clearing the first and second return EMI's
- Company may accept part payment of loan up to 25% of the loan amount in a single financial year without any prepayment charges.

Claims for refund or waiver of charges/ penal interest / additional interest will normally not be entertained by the company and it is the sole discretion of the company to deal with such requests if any. Discretion to waive/reduce the charges shall be with a senior functionary on a case to case basis after suitable delegation of powers is worked out approved. Till then the same shall be exercised by MD and CEO.

- Keeping in view of the regulatory expectations from NBFCs and also the Fair Practice Code, the maximum interest rate chargeable shall be fixed at 28% p.a (excluding compounding effect) or base rate + 1600 basis points.
- When the loan / Instalments is in overdue, penal interest may be charged at a rate not exceeding 400 basis points over and above





the normal rate applicable to the account on the overdue amount for the overdue period.

- Further, initial non-refundable processing fee may charge up to Rs 5000 /- per loan proposal and the same may be adjusted against the processing fee payable at the time of loan disbursement.
- GST wherever applicable shall be charged and the same shall not be counted for above ceiling.

### **L) Interest Rate for Corporate Loans**

- The interest rate applicable to each NBFCs, NBFC-MFIs and HFCs will be assessed based on multiple parameter like inherent credit and default risk in the products, profile of the customers, past repayment track of the customers, external rating of the customers, industry trend, offerings by the competition and, future business potential
- The rate of interest may be different for different customers depending upon an evaluation of the factors listed above.
- All loans shall be granted a fixed rate.
- In order to attract highly rated corporate, interest rates not less than 10% p.a. shall be offered to such highly rated borrowers. (excluding Processing fee and other charges if any)
- Maximum Interest Rate-18% p.a. (excluding Processing fee and other charges if any)
- In the event a date mentioned in the Repayment Schedule falls on a Public Holiday then the monthly instalment pertaining to that date shall be paid by the Borrower on the succeeding Business Day.

#### Mode of Computing Interest;

- EMI (to be paid at the end of every month (on the last day of the month) from the subsequent month of full disbursement).
- Repayments of principal in equal amount quarterly and interest monthly (last day of the month).



### **Pre-EMI/Broken Period**

Interest: Pre-EMI (broken period interest) to be paid on the balance outstanding on the last day of the month till the start of EMI. Calculated based on daily products method.

### **Compounding:**

- Compounding of interest where applicable, as provided in the loan scheme is on Monthly Compounding Basis.

### **Processing Fees**

- Processing fees up to 2%.

### **Penal Interest for overdues**

- When the loan remains overdue without FULL servicing of interest/principal/EMI due, penal interest may be charged at a rate not exceeding 3% p.a. over and above the applicable loan interest rate (i.e. at the contracted rate plus 300 basis points) on the amount due and payable. MD&CEO shall have the powers to waive penal interest.

### **Prepayment penalty**

- Any prepayment of the Facility shall be permitted, subject to a prepayment penalty of 2% on the outstanding value of the Facility as on the date of said repayment, plus applicable taxes. Pre-payment penalty may be waived, in full or in part, in deserving cases with the reason being recorded by Managing Director & CEO on the recommendations of the CFO/ED

## **M) Interest Rate for Micro Loans for Home Improvement**

- Loan will be disbursed basis Individual Customer Credit score. The interest rate applicable to each customer will be assessed based on security of loan whether it is secured or un secured, credit risk score, age of the borrowers etc.



- The Maximum rate of interest for Secured loan will be 24% and for Unsecured will be 26%.
- All loans shall be granted a fixed rate only.
- The loan tenor is maximum upto 10 years.
  - Processing fees - maximum 2% of the loan amount and will be deducted from the disbursement amount.
  - Fore closure charges - 3% of Principal outstanding.
  - Late payment charges up to 2% on overdue amount
  - Prepayment charges will be 2% of the amount paid.
  - Bounce charges in case of EMI / other dues is as follows –
    - Rs 500 will be charges for first two instances
    - From 3<sup>rd</sup> Instance onwards amount of Rs 750 will be charged.

**N) Interest Rate for Consumer Durables**

- Loan will be disbursed basis Individual Customer Credit score.
- The Maximum rate of interest will be 28.33%
- All loans shall be granted a fixed rate only.
- The loan tenor is maximum up to 18 months.
- Processing fees will be charges maximum at 3%
- Fore closure charges will be 2% of Principal outstanding.
- Late payment charges will be 3% on overdue amount
- Bounce charges in case of EMI / other dues is as follows –
  - Rs 500 will be charges for first two instances
  - From 3<sup>rd</sup> Instance onwards amount of Rs 750 will be charged.



**O) Interest Rate for unsecured loan to given to professionals**

- Loan will be disbursed basis Individual Customer Credit score.
- The maximum rate of interest will be 18% p.a.
- The loan tenor is maximum up to 36 months.
- Processing fees will be charges maximum at 2%
- Fore closure charges will be 2% of Principal outstanding.
- Late payment charges will be 3% on overdue amount
- Bounce charges in case of EMI / other dues is as follows –
  - Rs 500, Rs 750 and Rs 1000 will be charged based on the number of bounce cases instance

**P) Interest Rate for Small Scale Industrial Finance (Equipment)**

- Loan will be disbursed basis Individual Customer Credit score.
- The Maximum rate of interest will be 24% p.a.
- The loan tenor is maximum up to 60 months.
- Processing fees will be charges maximum at 2%
- Fore closure charges up to 3% of Principal outstanding.
- Late payment charges up to 3% on overdue amount
- Bounce charges in case of EMI / other dues is as follows –

Rs 500, Rs 750 and Rs 1000 will be charged based on the number of bounce cases instance

**Q) Interest Rate for Personal Loan**

- Loan will be disbursed basis Individual Customer Credit score to MAFIL GL customer and MAFIL Employees.
- The Maximum rate of interest will be 24.09 % p.a.



- The loan tenor is maximum up to 36 months.
- Processing fees will be charges maximum at 2.5%
- Fore closure charges will be 2% of Principal outstanding.
- Late payment charges will be 3% on overdue amount
- Bounce charges in case of EMI / other dues is as follows –

Rs 500, Rs 750 and Rs 1000 will be charged based on the number of bounce cases instance

### **R) Interest rate Re-setting in all the loan other than Gold loan**

To mitigate interest rate risks in the longer tenor loans in the verticals like commercial vehicles, SME, personal loans, corporate, Consumer Durable loans, Professional loans etc. Sanctioning Authorities shall have the powers to prescribe rate of interest reset on quarterly / half yearly / annual / 2- or 3-year basis. Interest reset clause shall be incorporated in the sanction letters, wherever applicable. Loan agreements with the borrowers shall also be modified to include interest reset clause.

### **S) Asset Liability Management Committee (ALCO)**

- i) The ALCO shall hold meetings at calendar quarterly intervals or more frequently when required. Review of interest rates shall be periodically taken up by the ALCO within the overall stipulations of the Interest Rate Policy approved by the Board of Directors.
- ii) The ALCO shall consist of the under mentioned functionaries

1) Managing Director & CEO	Member
2) Executive Director	Member
3) Chief Financial Officer	Member
4) Head of Risk	Member
5) Chief Technical Officer	Invitee

### **T) Other Charges Recovery of Out-of-Pocket Expenses**

- i) The Company may also levy other charges such as loan processing fees, insurance (of gold ornaments), processing charges for delivery of gold against lost pawn ticket, safe custody charges (due to failure to take delivery of gold ornaments immediately



after closure of account), statement of account etc. In addition, the Company shall be entitled to recover costs incurred in connection with postage, legal costs etc. The above charges shall be pegged at reasonable levels and in the spirit of Fair Practice.

ii) Guidance rates are as under:

Description of the charges	Extent of charges	Comments
Loan processing , Appraisal charges, Insurance etc.	Will be capped at 1% of the loan amount. A reasonable minimum and maximum in absolute terms may be prescribed.	Segments borrows (i.e. small borrowers), Special schemes may be exempted from such charges.
Delivery against lost Pawn Ticket – processing charges	Between a minimum of Rs 50 and maximum of Rs 250 per pledge	
Safe custody charges – when borrower does not immediately take delivery of the pledged gold ornaments	Between 0.10% to 0.25% per month subject a reasonable minimum and maximum in absolute terms	
Statement of account	Free of cost if demanded within 30 days of closure of account. In other cases a minimum of Rs. 25 and maximum of Rs. 100 per statement	
Postage, Courier charges	As per Existing circular	

- iii) The actual rates from time to time shall fixed by the ALCO within the band / limits mentioned under each head and reviewed at at-least half yearly intervals.
- iv) ALCO shall have the authority to implement any other reasonable / justifiable charge from time to time.
- v) Taxation regulations as applicable shall be complied with.
- vi) Discretion to waive / reduce the charges shall be vested with a senior functionary on a case to case basis after suitable delegation of powers is worked out and approved.



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