



MUTHOOT CAPITAL SERVICES LIMITED

CIN: L67120KL1994PLC007726

POLICY ON INTEREST AND OTHER LEVIABLE CHARGES

This Policy was approved by the Board of Directors on June 14, 2018, and reviewed on July 17, 2018, September 25, 2021, February 02, 2022 and May 23, 2024

Version Control:

Sl. No.	Name of Policy	Version	Board approval date	Remarks
1.	Policy on Interest and Other Leivable Charges	v1.0	14/06/2018	Policy document approved.
2.	Policy on Interest and Other Leivable Charges	v1.1	17/07/2018	<ul style="list-style-type: none">- Clause for Broken Period Interest incorporated.- Documentation / Processing Charges amended.- Charges for Loan Cancellation before Disbursement mentioned.- Quick Delivery Charges modified.- Charges for deferring the due date of EMI payment mentioned.- Rescheduling Charges mentioned.- Pre-Closure Charges specified in detail.- NOC Charges reduced.- Collection Charges in case of defaulted EMI specified in detail.- Legal and Incidental Charges mentioned specifically.- Clause for Credit Bureau Report Charges modified.- Bank and Postage Charges & Stamp Duty incorporated.
3.	Policy on Interest and Other Leivable Charges	v1.2	25/09/2021	Cap on total cost to the borrower including the documentation / processing changes along with interest rate is mentioned.
4.	Policy on Interest and Other Leivable Charges	v1.3	02/02/2022	Cheque / NACH Bounce Charges and Collection Charges in case of defaulted EMI were amended.
5.	Policy on Interest and Other Leivable Charges	V1.4	23/05/2024	Implementation of Penal Charges and removal of Penal Interest (OD Interest) Based on RBI Circular No: Product wise lending rate range updated

Policy on Interest and Other Leivable Charges

I. INTRODUCTION

Muthoot Capital Services Limited (MCSL) promoted by the Muthoot Pappachan Group (MPG) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India and listed on the BSE Limited and National Stock Exchange of India Limited.

II. PURPOSE

Keeping in view the good governance and fair practices code prescribed by Reserve Bank of India, the Company decided to adopt the following internal guidelines and procedures in the matter of fixation of interest rate model and the method of levying charges from the customers for its lending business.

III. SCHEME

This Policy is divided into two parts. The First Part deals with the matters relating to interest and the Second Part deals with matters relating to charges being levied from the customer other than the interest.

PART I: RATE OF INTEREST

A. Fixation of Interest

The Company shall be guided by this Policy for determining the interest rates on various loan schemes of the Company. It shall also consider the prevailing market conditions, various rules and regulations prescribed by the RBI or such other competent authority, as applicable, from time to time while fixing the interest rates.

B. Components of Interest leivable

In the case of an account which is serviced regularly and operated without default, the interest charged would have two components viz. Basic Rate and Risk Premium. However, if an account is not serviced regularly and default occurs, the interest leivable in such accounts will have one more component called additional interest. Further, if the customer opts for re-schedulement of the entire repayment schedule or pre-closure of the loan post-delivery of the two wheeler, the Company shall charge broken period interest as applicable in such cases.

Each component of the interest is explained below:

1. Basic Rate

Basic Rate shall be arrived at after considering the following aspects:

- a) **Cost of Funds:** This includes the interest and other related charges payable by the Company on the borrowed funds such as loan from Banks/Financial Institutions, Secured NCD's, etc.
- b) **Operating Cost:** This includes the employee cost and other administrative and operating overheads of the Company.
- c) **Gradation of Risk:** The nature of risk associated with the loan will always have a bearing on the Basic Rate to be arrived at.
- d) **Return on Equity:** After meeting all the above (a, b and c), a reasonable return on equity is to be ensured in arriving at the base rate.
- e) **Other Factors:** Industry trends / offers from competitors.

Apart from the above, the nature of lending, i.e., unsecured/secured, tenure of lending, margin covering regulatory provisions, if any, industry trends - offerings by competition, etc. shall also be considered to derive the basic rate.

2. Risk Premium

While fixing the risk premium, the Company shall take into consideration, the LTV rate applicable to the loan, the frequency of servicing of the loan by the customer, risk perception of the Company based on geographical location, class of customers, etc. Risk profile of customer including the professional qualification, stability in earnings and employment, financial positions, past repayment track record with us or other lenders, external ratings of customers, credit reports, customer relationship, future business potential, etc. shall also be considered.

3. Accrual Interest on EMI Default Period

The Repayment schedule is plotted based on the Loan Date, Tenure and EMI Period, and the interest in the scheduled is shown based on the inflow on respective due dates, in the event of default, Interest will be charged on the EMI over from the date of due to the date of realization at the rate of interest rate applicable to the respective loans this will be applicable for all loans disbursed from 1st of Apr 2024 and the for the existing customers onboarded till 31st Mar 2024 shall continue the process of additional interest 36% per annum on overdue EMI till 30th Jun 2024, with effect from 1st July 2024, Process will be shifted to accrual interest on EMI default period for all customers.

4. Broken Period Interest

The Company provides an option to the customer to reschedule the entire repayment schedule by reducing the tenure of the loan and pre-closure of the loan post-delivery before the maturity of the tenure. In such cases, the Company may incur loss of revenue due to the change in the agreed

repayment schedule and terms of the loan facility. To cover the said possible loss, the Company may charge additional interest for such broken period of the repayment schedule based on the number of days between due date of last installment and date of initiation of rescheduling/pre-closure. The broken period interest shall be calculated as follows:

$$\text{Broken Period Interest} = \text{Balance Stock} * \text{IRR \%} * \text{No. of Days} / 365$$

C. Rate of Interest

i) Regular Accounts (loan accounts serviced regularly)

The Company intimates the customer, the exact loan amount, rate of interest and Documentation & Processing Fee applicable, at the time of sanction of the loan along with the tenure and amount of monthly installments (EMI). The following would be the broad band of the total amount due from the customer aggregately towards the interest rate and Documentation & Processing Fee in respect of a loan account which is serviced regularly without any default and also dependent on the scheme. This rate is excluding the additional interest leviable in case of default and other charges.

The applicable range of rate of interest is described in point no E along with gradation of risk

ii) Irregular Accounts

When an account is not serviced regularly i.e., when the EMI is not paid on the due date and the amount is outstanding, resulting in default in repayment of the loan amount, additional amount called accrued interest (LPI) will be levied at the rate of applicable annualized rate to the particular loan on the overdue EMI. Applicability may refer to Pont No 3 of the document.

iii) Maximum Rate of Interest Leviable on a loan account

- a) Regular Accounts (Ref. (i) above): 32 (Thirty-Two) per cent per annum subject to the proviso under Clause C (i).
- b) Irregular Accounts (Ref (ii) above): 3 (Three) per cent on the overdue EMI per month compounded on monthly basis in addition to that as applicable to the Regular Accounts.

D. Procedure/Method of Collection of Interest

- i) The rate of interest leviable on each loan account will be communicated to the customer upfront. Accordingly, the rate of interest charged would be specified in the loan sanction letter and loan agreement. Further, whenever notice is issued to the customer for collection of the interest, the rate and amount thereof would be clearly stated in the said notice. The same procedure would be followed in the case of levying additional interest.
- ii) The interest being collected is included in the EMI payable by the customer and hence with the payment of each EMI by the customer, the interest applicable will also remain collected.
- iii) When an account has turned irregular and the customer makes any payment towards the repayment of his dues to the Company disregarding the amount of EMI, the amount so received

would be credited to the loan account in the following order:

- a) Interest
- b) Principal
- c) Accrual Interest on EMI Overdues (Termed as LPI)
- d) Charges other than the Interest and Principal

E. Approach for Gradation of Risk

The rate of interest is arrived at based on the cost of funds, operating cost, nature of risk and return on capital and other factors stated in this policy. MCSL's approach for gradations of risk and rationale, the rates of interest for the same product and same tenor availed during the same period by different customers could vary depending upon the combination of various factors such as borrower's profile including age, number of dependents, residential stability, type of employment and length of service, primary and secondary income, vintage and growth in business (if self employed), nature and type of collateral security, brand/resale value of the vehicle, past repayment track record, past association with MCSL, credit score, Loan to Value etc. Such information is collated based on customer input, credit bureau and field inspection by the Company officials.

In view of the higher risks associated with the Auto loans (TW/CL/CV), Personal loans, corporate loans, buyouts, DPN loans and other products shortfall in asset value to cover the dues in case of a forced sale arising from defaults, the interest rate in this type of loan are comparatively high.

The Company shall be charging annualised interest rate on loans and advances extended to customers. The annualised interest shall be communicated explicitly in the Sanction letter. Any revision/change in the interest rate/other charges would be effected prospectively only.

The interest shall be amortized with the principal and the monthly due shall be repaid by way of instalments. The company may offer an equated monthly instalment or a structured repayment. The company may alternatively offer a scheme by which the interest needs to be serviced month on month or on defined frequency.

The rate of interest is subject to change as the situation warrants due to market compulsions and change in regulatory norms and is also subject to the discretion of the management on a case to case basis, for reasons which will be noted.

The interest rates proposed for different loans and advances extended by the Company to its borrowers, are given as under.

Lending Rate Range for Vehicle Loan - Fixed Rates (Annualised)				
Products	New		Used	
	Minimum	Maximum	Minimum	Maximum
TW	18	42	18	42
Electric TW	18	36	18	36
Electric Auto Rickshaw	18	36	18	36
E Rickshaw	18	36	18	36
Car	9	18	16	36
CV	9	18	16	36

Lending Rate Range for Secured Loan - Fixed Rates				
Products	New		Used	
	Minimum	Maximum	Minimum	Maximum
Corporate loan	11	22		
Buyout	11	22		
DPN	11	22		
Colending	11	22	12	22
Digital lending	11	22	12	22
Business correspondence	11	24	12	24

Lending Rate Range for unsecured Loan - Fixed Rates		
Products	Minimum	Maximum
Corporate loan	11	22
Buyout	11	22
Personal Loan	11	22
Loyalty	11	22
Topup	11	22
Colending	11	22
Business correspondence	11	22
Digital lending	11	22

- All the rates mentioned are annualized
- Additional GST and other cess shall be charged as applicable.

PART II - LEVY OF CHARGES OTHER THAN INTEREST, DOCUMENTATION & PROCESSING FEE AND ADDITIONAL INTEREST

Depending on the nature of the transaction, in addition to the interest and additional interest, the Company may also levy certain charges from the customer. These charges were until now stated as “Other Charges” and now it has been decided to specify each of them as applicable in the communication to the customer and all other related documents whenever and wherever applicable.

A. The following are the charges falling under this category:

1. **Charges for Loan Cancellation before Disbursement:** In case the loan amount is approved, but the disbursement has not been made and the customer declines the approved loan due to personal reasons such as health problems, accident, death, financial crisis, vehicle stock not available, etc. the Company would charge ₹ 350/- per event.

2. **Quick Delivery Charges:** Normally, the delivery of the vehicle would take about 5-7 days after handing over the cheque to the dealer. However, if the customer wants to get the delivery immediately on handing over the cheque, it would be a premium service and the same would be charged extra in the name of Quick Delivery Charge by way of an additional payment to the Dealer. If the customer opts for this premium service, the Company may charge ₹ 100/- plus GST as Quick Delivery Charges.
3. **Charges for deferring the due date of EMI payment:** The Customer may request the Company to change the due date of EMI payment to another date. In such cases, the Company shall charge ₹ 100/- as one-time charge. This facility is available for a customer once in his/her tenure of loan.
4. **Rescheduling Charges:** The Company provides an option to the customer to reduce the tenure of the loan facility by rescheduling the entire repayment schedule. In this scenario, the customer has to pay all the pending EMIs and dues, if any or it can be capitalized. If the customer opts so, the Company may charge ₹ 750/- per such event. The Company shall also charge broken period interest in such events, as mentioned in Clause B (4) of the Part I of this Policy.
5. **Pre-Closure Charges:**
 - a) Pre-Delivery: The customer may opt for pre-closure of the loan facility after making payment to the dealer by the Company, but before the delivery due to any unforeseen events such as health problems, accident, death, financial crisis, vehicle stock not available/vehicle dissatisfaction, etc. and such cases, the Company shall charge ₹ 750 + 24% of the loan amount for the number of such days lapsed.
 - b) Post-Delivery: The customer may pay lump sum amount to close all his/her EMIs, additional interest, charges, etc. and thereby to close the loan account. In such cases, the Company shall charge 4% on the principal amount outstanding as pre-closure charge from the customer. The Company shall also charge broken period interest in such events, as mentioned in Clause B (4) of the Part I of this Policy.
6. **NOC Charges:** The Company shall issue NOC at free of cost for the first instance and shall charge ₹ 100/- from the customer thereafter per event.
7. **Cheque/NACH Bounce Charges:** The Company shall charge cheque/NACH bounce charges **at actuals** per each case.
8. **Repossession Charges:** When the vehicle is to be repossessed, the Company incurs charges for repossessing the same which is recoverable from the customer at actual.
9. **Penal Charges :** This is applicable to the customers who make any default in EMI Payment since the Company has to put extra efforts to collect the same. The company may charges an additional amount of Rs.1000/- Plus GST as applicable per defaulted

EMI as Penal Charges which will be charged from customer who has defaulted on his EMI Payment. This is towards recovery of additional expenses incurred by the company for collecting of the defaulted EMI from the customer. The same shall not be compounded. Penal Charges will be effective on all loans disbursed from 1st of Apr 2024 and the existing customers Collection Charges of Rs.450 Plus GST will be continued till 30th Jun 2024 and the same will be replaced with Penal charges with effect from 1st of Jul 2024. The existing charges which is already booked shall remain same.

10. **Legal and Incidental Charges:** The Company shall recover, from the customer, the legal and incidental charges for cheque bounce cases at a minimum of ₹ 1000/- per event or actual and for arbitration at a minimum of ₹ 4500/- per event or actual.
11. **Credit Bureau Report Charges:** The Company shall charge ₹ 50/- per event for bureau report as and when required by the customer.
12. **Bank and Postage Charges:** The Company shall charge the bank and postage charges incurred on behalf of the customer, if any, at actual.
13. **Stamp Duty:** The Company shall charge the stamp duty from the customer at actual as applicable and levied by the respective State Governments.
14. **Any Other Charges:** In the event of meeting any other additional expenses by the Company on the account of the customer, the same would be charged to the customer explaining the nature and the amount thereof. Thereupon the same would be payable by the customer.

B. Procedure/Method of levying the charges other than interest and additional interest:

1. The type of the above charges and the amount thereof shall be communicated to the customer through the sanction letter. They may also be specified in the loan agreement. In case they are not pre- fixed, that fact would be stated in the aforesaid documents. In addition to this, as and when such charge becomes due, a communication shall be made to the customer stating the exact amount leviable from him and it would be reflected as such in the loan account.
2. Whenever any payments are received from a defaulting customer towards the repayment of his/her dues to the Company, the amount due on account of this type of charges would be first adjusted out of the amount so received in the order specified vide paragraph D (iii) of the Part I of this Policy.

IV. REVIEW & AMENDMENT OF THE POLICY

Any change in this Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to review any part of this Policy or the entire Policy at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and

binding.

