



POLICY ON INTEREST RATE

Preface

The Company has been following certain procedures and practices in the matter of fixing interest rates for lending of the mortgage loans. To provide for transparency in transactions between the Company and the end users and also to provide for well-informed business relationships, some broad guidelines have been considered necessary. RBI has also guided through Master Direction DOR.Fin.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021 in this regard.

There are no extant policies / guidelines of NHB for determination of RPLR for a housing finance company. An illustration provided by RBI in Master Circular No. RBI/2012-13/70 DBOD.No.Dir.BC. 5 /13.03.00/2012-13 dated 2nd July 2012 for arriving at the Base Rate is as follows:

Base Rate = (a) Cost of Deposits / Funds + (b) Negative Carry on CRR / SLR + (c) Unallocatable Overhead Cost + (d) Average Return on Net Worth (deployable funds).

However, NHB issued Circular No. NHB/ND/DRS/Pol-No 43/2011-12 dated 19th October 2011 advising HFCs not to charge penalty on pre-closure of loans on floating rate basis. In view of the same, NHB issued Circular No. NHB/ND/DRS/Policy Circular 64/2014-15 dated 22nd August 2014 clarifying that the Circular No. NHB/ND/DRS/Pol-No 44/2011-12 dated 19th October 2011 for bringing uniformity in rate of interest (on floating rate basis) stands withdrawn.

NHB has advised vide Circular No. NHB(ND)/DRS/Pol-No 29/2009, dated 2nd June 2009, mentioned that NHB was receiving complaints for charging higher rate of interest by HFCs, the HFCs were advised to adopt a transparent pricing policy, and HFCs were advised to revisit their policies on interest rate determination, including margin and risk premium charged to different categories of borrowers and get the same duly approved by their Board. HFCs were also advised to put in place an internal mechanism to monitor the process and operations so as to ensure adequate transparency in communication with the borrowers.

In compliance with the requirements mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

The business model of the Company is to provide credit facility, to those customers who are meeting the credit norms of the Company. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

I. Approach for Gradation of Risk

The risk premium attached with a customer shall be assessed *inter-alia* based on the following factors:



- a) Profile and market reputation of the borrower,
- b) Inherent nature of the product, type / nature of facility, whether loan is eligible for bank financing, loan to value of asset financed,
- c) Tenure of relationship with the borrower group, past repayment track record and historical performance of our similar clients,
- d) Group strength, overall customer yield, future potential, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment
- e) Nature and value of primary and secondary collateral / security,
- f) Type of asset being financed, end use of the loan represented by the underlying asset,
- g) Interest, default risk in related business segment,
- h) Regulatory stipulations, if applicable, and any other factors that may be relevant in a case.

II. Interest Rate Model

- a) **Internal and External Costs of Funds** - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- b) **Internal cost loading** – the costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction would be taken into account before arriving at the final interest rate quoted to a customer.
- c) **Credit Risk** - as a matter of prudence, credit loss (risk) cost would be factored into all transactions. The amount of credit risk cost applicable to a particular transaction depends on the internal assessment of the credit strength of the customer.
- d) **Margin**: A markup to reflect other costs / overheads to be charged to the loan and our designed margin.
- e) **ALCO View & Market Dynamics**: Views of the Asset Liability Management Committee (ALCO) of the Board on product pricing with respect to prevailing interest rates offered by peer HFCs for similar products / services shall be taken into consideration. The forecasts and analysis of 'what if' scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged.
- f) **Other Factors** – Matching tenor cost, market liquidity, credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

III. Rate of Interest:

- a) Interest rates offered could be on fixed rate basis or floating / variable rate basis.
- b) The fixed rate of interest would be higher by 1% than the floating interest rate offered.
- c) In case of floating / variable interest rates, the interest rates will be benchmarked to Manappuram Home Finance Limited Prime Lending Rate (MAHOFIN-PLR)
- d) The MAHOFIN-PLR is an estimation of a benchmark interest rate approved by the Asset Liability



Committee (ALCO) of the Company, from time to time. The MAHOFIN-PLR will be reviewed periodically by the ALCO. The estimation and the methodology for calculating the MAHOFIN-PLR may be changed at any time with the approval of the ALCO.

- e) The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.
- f) The Annualised Rate of Interest to be charged to borrowers, at the time of sanctioning loans, shall be in the range as mentioned below:

Rate of Interest (% P.A)

Home Loan	Rate of Interest Range
Salaried	11.75 % p.a To 26.00% p.a
Professional Self Employed	11.75 % p.a To 26.00% p.a
Non-Professional Self Employed	11.75 % p.a To 26.00% p.a

Loan Against Property (LAP)	Rate of Interest Range
Salaried	16.00 % p.a To 26.00 % p.a
Professional Self Employed	16.00 % p.a To 26.00 % p.a
Non-Professional Self Employed	16.00 % p.a To 26.00 % p.a

Micro LAP	Rate of Interest Range
Non-Professional Self Employed	21.00 % p.a To 26.00 % p.a

Flexi Home Loan	Rate of Interest Range
Salaried/ Self employed	13.00 % p.a To 19.00 % p.a

The interest rate for Manappuram Home Finance Limited is capped at 26%. The rate of interest for the group employees will be 1% below the aforesaid rate.

- g) Loan amount, Annualised Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter and the apportionment of installments towards interest and principal dues shall be made available to the borrower.
- h) Pursuant to RBI circular on Fair Lending Practice- Penal Charges in Loan Accounts the Company has



changed the nomenclature of Penal interest and cheque bounce charges to Penal Charges in the policy.

Besides normal Interest, the Company may levy, penal charge for non-payment of EMIs due and cheque bounce charge. The details of Penal charge for late repayment will be mentioned in bold in the loan agreement and communicated in the sanction letter. The Penal charge will be 2% p.m for the pending EMIs due. There will be no capitalization of penal charges. Also, the Company may levy , penal charge for cheque bounce of Rs 1200 plus applicable taxes.

- i) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre- payment / foreclosure charges (if applicable), part disbursement charges, cheque swaps, cash handling charges, RTGS / other remittance charges, Pre-closure statement charges, Statement of Account Charges, statement of List of Documents (LoD) charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levies or cess would be collected at applicable rates from time to time.
- j) The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the management's perceived risk on a case to case basis.
- k) Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review, economic scenario affecting the PLR of Company with approval of Management.
- l) Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.
- m) The interest re-set period for floating / variable rate lending would be decided by the Company from time to time, applying the same decision criteria as considered for fixing of interest rates.
- n) In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of successive disbursements or as may be decided by the Company.
- o) Claims for refund or waiver of charges/ penal charges would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

IV. Content on the website

Appropriate disclosure regarding this Interest Rate Policy shall be made on the Company website in line with the RBI Master Direction DOR.Fin.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021 updated from time to time and Fair Practice Code, advised to display on their website the interest rate range of contracted loans in the Fair manner and provide the information on interest rates, as amended from time to time.

V. Implementation

This Policy shall be effective from date of its first approval.