



Interest Rate Policy

Date of last revision and approval by the Board of Directors: March 31, 2023



Document ID	MFL/Operations/Interest Rate Policy
Version No.	v.1.2
Page No.	1 of 3
Effective Date	31.03.2023

DOCUMENT IDENTIFICATION INFORMATION

Document Name	Interest Rate Policy
Index	MFL/Operations/ Interest Rate Policy
version	Version v.1.2
No of Pages	3
Process owner	Head - Branch Operations
Department HOD	Head - Operations & Change Management
Recommended By	CEO
Approving Authority	Board of Directors
Review Frequency	At least once a year or if significant changes occur to ensure its continuing suitability, adequacy, and effectiveness
Location of the document	Corporate Affairs Department
Regulatory/Internal Circular Clause	RBI MD

Revision/Change History

Author	Reviewer	Version No.	Effective Date	Change Description
		1.0	12.04.2014	Approved by the Board of Directors
Head - Operations		1.1	17.09.2021	Reviewed by the Board of Directors
Head - Operations	CEO	1.2	31.03.2023	Inserted a new point under 'Risk Premium'

Document ID	MFL/Operations/Interest Rate Policy
Version No.	v.1.2
Page No.	2 of 3
Effective Date	31.03.2023

Interest Rate Policy

1. 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 then prevailing market conditions and various rules and regulations prescribed by the Reserve Bank of India or such other competent authority from time to time while fixing the interest rates.
2. The maximum ceiling on interest rate applicable to the principal of any loan is 30% per annum.
3. Interest charged under various Loan Schemes shall have three components viz., Basic Rate, Risk Premium and Additional Interest.

i) Basic Rate

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

- **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.
- **Operating Cost:** This includes the Employee cost and other administrative overheads of the company.
- **Gradation of Risk:** The nature of risk associated with the loan will always have a bearing on the Basic Rate to be arrived at.
- **Return on Equity:** After meeting all the above, a reasonable return on equity is to be ensured in arriving at the base rate.

ii) 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.

Apart from the above, market conditions or competition from time to time also shall be considered.

iii) Additional Interest

To cover any possible loss due to additional cost of finance on the company due to non-servicing of the loan, by the borrower, the company may charge an additional interest at a maximum rate of 12% per annum. The collection of additional interest as stated herein is not covered by the ceiling of maximum of 30% interest rate indicated in paragraph 2. Additional interest will be collected in a transparent manner by incorporating the same in the Pledge Form.

