<u>Muthoot Money Ltd - Interest Rate Policy</u>

This document prescribes the guiding principles of fixing interest rate on gold loans and other loan schemes of Muthoot Money Ltd., as enumerated below.

The rate of interest on gold loan schemes are fixed taking into account various factors such as cost of funds, overhead costs, fair return on capital employed, market conditions and guidelines of Reserve Bank of India regarding Fair Practices Code.

The Board of Directors of the Company or a Committee drawing authority from the Board, while fixing interest rates on Gold Loan Schemes shall be guided by this policy document for Interest Rate Fixation.

In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various relevant rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time.

Interest charged under various Gold Loan Schemes shall have the following components:

1. Basic Interest Rate
2. Risk Interest Rate
3. Penal Interest Rate

Basic Interest Rate

Basic Interest Rate represents the rate chargeable under every Gold Loan Scheme irrespective of the risk weight attached to the nature of the scheme. Basic Interest shall be arrived at after considering the following aspects:

i. Cost of Working Capital Funds

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds which are mobilised through loans and Non-Convertible Debentures (NCDs). Major components includes interest on bank borrowings, other incidental charges thereto and interest payable on Secured Non-Convertible Debentures.

ii. Overhead Cost

Overhead costs comprises of employee cost, establishment costs such as charges for rent, electricity, water etc., security charges such as engagement of security guards, setting up of burglar alarms and CCTV cameras, insurance premium for insuring the gold security held in the custody of the Company etc., Statutory expenses, Marketing expenses etc.

iii. Fair return on Capital Employed

Fair return on capital is calculated as per industry standards and taking into account the interests of investors of the Company which is listed in stock exchange.

iv. Market conditions

Market conditions include the rate of interest charged for similar loans by Banks and NBFCs. Guidelines of Reserve Bank of India from time to time also shall be strictly followed. The Board shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owners capital employed in the business.

Thus the basic interest rate for the gold loan schemes shall be determined by considering the cost of working capital, overhead cost, fair return on capital employed and the market conditions.

Risk Interest Rate

Risk Interest shall be determined by taking into account the degree of credit risk involved in loans under each loan scheme. While the interest rate shall be the lowest for the schemes where advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the tenure period of the loan as the probability of risk incidents goes up with the passage of time. Risks in respect of gold loans includes the fall in price of gold, possibility of the gold pledged turning out to be spurious or of low purity on audit, stolen gold being pledged, delays in settling loans of deceased borrowers due to legal issues etc.

Effective Interest rates on gold loans vary depending upon the rebate offered for periodical remittance of the interest under each scheme, the principle being those who service the interest early gets a better rebate. For e.g., higher rebate is offered to those servicing interest within 30 days of disbursal as compared to 60 days, 90 days and so on. The rebate comes down and resultantly the interest rate goes up if interest is not serviced by the due date prescribed like 30/60/90 days etc. after availing the loan. The rebate is offered to encourage borrowers to service interest regularly within the prescribed slab periods and to avail the benefit of higher rebate and lower competitive interest rates. The rebate is only an offer and it is left to the choice of the borrower whether to avail the benefit or not. Company shall charge interest as per the terms and conditions of the loan mutually agreed to by the borrower who has signed the pledge form / loan agreement and accepted the other terms and conditions of the loan. For example if a scheme is offering a rebate of 12.1% on the interest rate of 24%.p.a., at which the loan is sanctioned, for servicing interest within 30 days, interest @ 11.9% only will be charged if interest is paid within 30 days from the date of sanction of the loan. However, if the customer does not service interest by 30 days after availing the loan, he will lose the advantage of the higher rebate and accordingly, the rebate rate will move to the next lower slab resulting in a corresponding higher interest rate being charged from the loan origination date and customer has to pay interest accordingly. It is the prerogative of the company to allow any concession based on merits when the interest rate changes as above.

Penal Interest Rate

Penal interest is charged as penalty for non-repayment of the loan dues within the contracted period of 365 days as per loan terms and also to compensate the possibility of a loss in the event of liability exceeding the realizable value of gold given as security. Penal interest will be levied by charging an additional rate of interest for the overdue period and hence will be subjected to compounding on a monthly basis after the loan becomes overdue. The higher rate will be charged on the balance outstanding as on the date when the account become overdue and from the date the loan has become overdue.

Method of Calculation of Interest

The interest shall be calculated for the actual number of days the loan remains outstanding, from the date of loan disbursement to the date of closure. However, if the borrower closes the loan within 7 days from the date of disbursement, then a minimum interest for 7 days shall be payable for gold loan schemes where the minimum effective interest rate is more than 11%. For gold loan schemes with minimum effective interest rate is 11% and below, then a minimum interest for 15 days shall be payable, if the borrower closes the loan within 15 days from the date of disbursement. If the amount of interest so calculated is less than Rs.50/- then a minimum interest of Rs.50/- will be charged. A rebate in interest rate may be provided for encouraging timely repayment of interest or closure of the loan on or before the specified tenor, as per different slabs built into each scheme.

The Company may, at its discretion allow grace period from the due dates as decided from time to time if the date for payment of interest falls due on a Holiday/Sunday.

For the purpose of calculation of interest, a year will be reckoned as 365 days. Interest is calculated at monthly compounding basis.

Other Matters

The full details of method of calculation of risk interest and penal interest shall be mentioned in the Fair Practices Code approved by the Board of Directors and be published in Company's Web Site.

The rate of interest of applicable for each scheme and the rebate allowed on timely payment of interest under different slab periods (3 months, 6 months, 12 months) etc. are clearly mentioned in the pledge form as well as the sanction letter issued to the borrower.
