

MUTHOOT VEHICLE & ASSET FINANCE LTD.

LOAN POLICY

Muthoot Vehicle & Asset Finance Ltd. (MVFL) is a Deposit taking Asset Finance Company licensed by the Reserve Bank of India for carrying out non banking financial operations. The company is engaged in disbursement of loans of various types such as Vehicle Loans, Business Development Loans, Infrastructure Loans, Corporate Loans, SME Loans, Mortgage Loans, Housing Loans, Personal Loans, Staff Loans etc. The company has formulated and adopted its lending policy highlighting simplified lending norms, transparent terms of finance, easy documentation procedures and speedy disposal of applications as its USP.

Role of the Company

The company recognizes the importance of its position as a strategic partner in the economic development activities of the country and has formulated various loan schemes for assisting the needy and economically backward group for securing gainful and lawful employment activities for generating income and thereby attaining economic independence. For achieving this, the company extends various loan schemes as under:

Category /Sectors

Transportation : Loans for purchase of new / used vehicles for personal use as well as commercial purpose.

: Loan against existing vehicles. (Re finance)

SME : Business Development Loans, Traders Loans, Loans for SSI units.

Corporate Loans : Loans to middle & large Corporate for all Bonafide business requirements.

Infrastructure : Earth moving activities, construction of commercial and residential complexes, crusher units etc.

Mortgage Loans: For facilitating business expansion, capital infusion etc.

Personal Loans : Loans for personal expenses, marriage, school admission etc.

Staff Loans : Loans for two wheelers, passenger cars and personal loans.

The company will not finance for activities prohibited by the law of the land and to groups and individuals banned and blacklisted.

Who Can Apply

Normally individuals in the age group of 18 yrs to 60 years permanently residing in their locality having regular source of income, reasonable means and social acceptability.

Companies, Partnership firms, Proprietorship units, Trusts , Associations etc.

Eligibility:

Existing or new customers or non-customers with sufficient repayment capacity i.e. having net income at least double the proposed EMI excluding persons who are in the negative list of customers and those with unsatisfactory default history with us or other Institutions / Banks.

KYC:

The applicants are required to submit KYC requirements and to disclose their family details, means, assets and liabilities etc. at the time of application. Any wrong disclosures or concealment of material information will go against the applicant and may result in rejection of application or recalling advances if already sanctioned. The loan applications received will be duly acknowledged by branches and the probable date of sanction will be communicated in the acknowledgment.

Margin:

For any loan the applicant is required to raise his capital contribution by way of margin normally ranging from 5 % to 25% of the cost of assets financed. The company shall reduce or increase the margin depending on the quality of assets proposed for finance, net worth of the individuals/ company of firms as the case may be.

Period of Loan:

Normally up to 60 months for new vehicles and in deserving cases period of repayment can be extended up to 84 months. For used vehicles up to 36 months and in deserving cases period of repayment can be extended up to 60 months. For other loans normally maximum period is 60 months.

Age of vehicle in used vehicle financing:

Normally age of the vehicle should be within 5 years. However in deserving cases deviation in age norms of the vehicle can be permitted by the competent authority.

Security:

Loans shall generally be secured by hypothecation of Assets financed and also by mortgage of properties and other collateral securities depending on the amount of finance and nature of assets financed. Normally vehicle loans above Rs. 100 lacs and other category of loans, except staff personal loans, irrespective of amount of finance shall be secured by collateral securities. Wherever loans are sanctioned against mortgage of property the value of such property accepted as security shall normally be 150% or more of the amount of loan.

Normally equitable mortgages of the property are taken which have clear demarcation and in exceptional cases un-demarcated and share of undivided properties can be accepted. Wherever un-demarcated properties are accepted as equitable mortgage, the value of such un-demarcated portion of properties should not be taken in to account for valuation of collateral property.

Guarantee:

The company may require a co applicant or minimum one personal guarantor having good means and source of income. The company may also insist personal guarantee of a third party having good means and income source for sanctioning loans to the applicant wherever required.

Applicant / co applicant / guarantor(s) should jointly or severally hold immovable property having double the worth to the loan exposure. Copy of Latest LTR for the property held should be provided for processing of loans.

Insurance

Vehicles financed are to be insured covering the value of vehicle in full and company's hypothecation on the vehicle generally should be noted in the insurance policy. Other financed assets such as machinery, tradable stock of goods, movable and immovable assets etc should be insured for their market/ depreciated value.

Normally wherever properties are mortgaged the superstructure/building thereon should be insured covering the value of building.

Borrowers are responsible to keep the assets given as security insured at all times as above.

Valuation

Vehicles and assets proposed for finance are normally valued by Branch-in-Charge or other delegated executives of the company. Finance value of the second hand vehicle will be based on its IDV (Insured Declared Value) or value certified by approved surveyors / Grid value prepared by the company. The company normally shall permit finance up to 100% of the IDV or 85% of the Surveyor Certified Value (SCV)/ 85% of valuation as per web sites approved by the company / 85% of the approved grid value for the vehicle / 85% value certified by the Company's authorized officials /. In the absence of the above values, the company shall in exceptional cases decide finance value based on market value of the vehicle for which finance will be restricted to 85% of the market value.

Verification and valuation of vehicles are also conducted during the pendency of loan periodically to ascertain its quality, condition and possession.

Stock of tradable goods under hypothecation shall be valued by Branch Officials concerned prior to sanction of loan and periodically thereafter. Valuation of stock shall be based on the invoice value and current market value whichever is less.

Property offered for mortgage shall be valued by approved external valuers / specially nominated officials such as Liaison Officers / Company Officials having experience in property valuation. The valuation of land will be based on the market value/'fair value' fixed and notified by Government and constructions on the basis of estimated cost of construction, depreciation as appropriate and replacement value.

Processing:

The company assesses credit worthiness of the borrower / co-borrower / guarantor(s) and evaluates borrowers' financial requirements and conducts verification of assets where ever required immediately on receipt of application. Loan proposals are recommended by branches to Head Office for sanction. All loan applications are processed by Credit Managers and sanctioned as per their powers and loan proposals exceeding their powers will be submitted to higher authority for sanction. Sanctions are accorded as per the delegated power structure. The sanctioned loan proposals will be submitted to the next higher authority for control.

Authorities of Assistant General Manager Grade and above will be empowered to approve deviations and interest rate, processing charges concessions. All Loan applications, except staff loans, attract processing charges and verification charges as set by the company.

Documentation

Normally the following documents (as appropriate) are to be submitted along with loan applications:

Recent Photographs of applicant / co applicant / Guarantor (s),

Photo ID Proof of applicant / co applicant / Guarantor (s),

PAN card of the applicant,

Address Proof of applicant / co applicant / guarantor(s),

Property details: normally latest Land Tax Receipt belonging to the applicant / Co applicant / Guarantor(s) are collected in case of vehicle loans land for other loans where E.M is proposed all necessary documents for creation of EM should be collected.

Details of Assets to be financed viz. documents of vehicles, stock statements, invoices etc.

Salary Certificates, I.T Returns, Bank Statement(s), Annual and Periodical Financial Statements.

The Company will advise sanction of loans and the terms and conditions thereof by a '**Sanction Letter**' which will be acknowledged by the borrower. Any change in the terms of sanction proposed later on will be duly notified to borrower and will have only prospective effect.

The borrowers and guarantors are required to execute hypothecation agreements, loan agreements and other security documents prior to disbursement of the loan. The security documents will be executed in one set and a copy will be given to the applicant for records. For vehicle loans, company's lien is to be recorded on the Registration Certificate. In case of other loans to corporate, company's charge is to be noted with the Registrar of Companies. Documentation charge as applicable is payable by the applicant for loan.

Interest Rate Policy

While fixing interest rates on Loans, the company shall be guided by this policy document on Interest Rate Fixation. In addition to cost factors, market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time shall be taken in to consideration. Interest charged on various loans shall have the following components: Basic

Interest Rate & Penal Interest Rate. As per the industry practice the interest rates are quoted as IRR and sourcing of loan is made through equated monthly instalments and penal interest as applicable will be charged to the days of delay in repayment

Basic Interest Rate

Basic Interest Rate represents the rate of interest applicable for a loan. Basic Interest can be arrived at after considering the credit worthiness, experience of the borrower in the activity, our earlier experience if any with the customer, commercial and other competition considerations. The current lending rates normally range from 8.25 % to 22 % and are subject to changes depending on RBI policy rates, market conditions and cost of liability etc. However, w.e.f the date of adoption of this policy, the minimum interest rate on loans sanctioned to General Public should not be less than the maximum interest rate offered by the Company for any deposit product to the General Public, as on date of sanction of the loan.

Penal Interest Rate

In the event of any delay or default in the repayment of installment and or any other repayment by the borrower(s) beyond repayment due date, MVFL shall be entitled to charge a COMPENSATION FOR LATE INSTALLMENT PAYMENT (CLIP) [Interest received on Delayed Payment] @3% per month which includes interest at contracted rate and penal interest. This rate of penal interest charged for late payment shall be shown in the sanction letter issued by MVFL.

Charges :

The company is entitled to charge various charges like Cheque / NACH / ECS return charges, C.I.C charges, loan cancellation charge, cash transaction charge, Termination charges, Swap charges, statement charges, duplicate NOC charges, old record search charges, CERSAI charges, processing charge, property valuation charges. The charges may vary from time to time. (Detailed list in Annexure -1)

Gradation of Risks

The interest rate specified for each loan takes into account relevant factors like cost of funds, margin and risk premium. We take a comprehensive approach to gradation of risk that does not discriminate between borrowers of the exact same class, but rather tailors the interest rate to each loan. The decision to give a loan and the rate of interest thereon are assessed on a case to case basis based on multiple factors, which may include the borrowers cash flows (past, current and projected) borrower's other financial commitments, credit worthiness, and experience with the borrowers if any ,other credit records, security of the loan and other available guarantees, commercial and other competition considerations etc. Such information are gathered based on information provided by the borrower, credit reports, market intelligence, information from the field etc

Prudential Exposure Norms:

The company has set per party exposure of limits while extending finance as under:

The exposure limit to Group Borrowers as well as single borrowers are strictly restricted to 15% of Net owned funds of the company as per the Prudential exposure limits stipulated by the Reserve Bank of India.

The exposure limit to related parties are strictly restricted to 10% of Net owned funds of the company as per the prudential exposure limits stipulated by the Reserve Bank of India.

Repayment:

Repayment period of loan normally varies from 12 months to 84 months depending on the type of loan. Repayment schedule of loan will be provided to the borrower as per period of repayment opted and the borrowers are required to pay the instalments on due dates assigned by means of post dated cheques / NACH mandate. The various due dates available for repayment, at present, are 1st, 7th, and 13th. of every month. Repayment schemes with Installment(s) in advance and installment without advance are in existence. Any default or delay in repayment will normally attract penal interest at 3% per month for the days of delay on defaulted instalments / amounts.

Apart from Equated Monthly Instalments the company also permits repayment in structured instalments scheme and Bullet payments suitable to the convenience of customers and needs of business.

Pre-closure / Closure / Satisfaction.

Loans are closed on payment of the loan amount with interest, charges and costs in full. To compensate the loss on account of pre closure of accounts the company will charge 4% on the principal outstanding for the remaining months for the loans which are proposed to be closed before six months from the date of availing the loan and in case of pre closure after 6 months 2% on the principal outstanding for the remaining months will be charged.

The company shall release documents of all securities furnished by the borrower / co borrower / guarantor(s) for securing the loan such as title deeds, deposit receipts, assigned policies, shares, debentures etc soon after closure of the loan dues in full and latest within seven days of closure. In case of any right of set off proposed to be exercised by the company against the securities the borrowers shall be given notice with the particulars of the claim. A termination charge of Rs.250/- + service tax applicable is payable by borrower for release of securities and issuing NOC for cancellation of hypothecation.

Repossession

Repossession of vehicles of defaulted borrowers will be as per conditions agreed upon. The company as a matter of policy refrains from use of force or muscle power for recovery of loans. The company and its employees will stay away from unnecessary interference in the affairs of borrower except for the purposes provided in the loan agreement. Any sale / auction of surrendered vehicle shall be only after giving a final chance to borrower for repayment of loan and taking back the vehicle. The sale will be through public auction or with concurrence of the borrower.

Delinquent and Defaulted Loans

The company resorts to normal legal recovery measures of defaulted loans by reminder notices, legal actions and out of court settlements. Disputes with borrowers are normally referred to Arbitration as per provisions of The Arbitration and Conciliation Act 1996.

Transfer/ takeover of loans:

Any request of borrower to transfer their loan account will be duly considered and the transfer proceedings shall be transparent and in terms of contractual terms. Any objection on transfers will normally be conveyed within a period of 21 days from the date of receipt of transfer request.

Discretionary powers:

AGM (Credit) and above will have discretionary powers from the policy guide lines to permit deviations without effecting RBI guide lines and norms.

Review of the Policy

The company shall review the Loan Policy periodically and revise / modify / substitute the parameters and guidelines in accordance with changes in market conditions, policy changes of regulatory authority, Government and Company management.

For all loans above rate 10.00% CIRR

NEW CAR PRIVATE

	Minimum Processing charge (excluding applicable taxes)
For all loans upto Rs. 2.50 lacs	Rs. 2500/-
For all loans from Rs. 2.51 lacs to Rs. 4.99 lacs	Rs. 3000/-
For all loans from Rs. 5.00 lacs to Rs. 9.99 lacs	Rs. 3500/-
For all loans from Rs. 10.00 lacs to Rs. 14.99 lacs	Rs. 4500/-
For all loans from Rs. 15.00 lacs to Rs. 19.99 lacs	Rs. 5500/-
For all loans from Rs. 20.01 lacs to Rs. 25.00 lacs	Rs. 7500/- or 0.25 % of loan amount whichever is Higher
Above Rs. 25.00 lacs	0.50 % of the loan amount

USED CAR PRIVATE

For all loans upto Rs. 2.50 lacs	Rs. 3500/-
For All loans from Rs. 2.51 lacs to Rs. 4.99 lacs	Rs. 4000/-
For all loans from Rs. 5.00 lacs to Rs. 10.00 lacs	Rs. 5000/-
For all loans from Rs. 10.00 lacs to Rs. 15.00 lacs	Rs. 7500/-
For all loans from Rs. 15.00 lacs to Rs. 20.00 lacs	Rs. 8500/- of the loan amount or 0.50 % of loan amount whichever is higher
Above Rs. 20.00 lacs	1 % of the loan amount

For all loans below rate 10.00% CIRR

For all loans upto Rs. 7.50 lacs	additional processing charges of Rs. 1000/-
For loans above Rs. 7.50 lacs	additional processing charges of Rs. 1500/-

ALL TAXI PROFILE VEHICLES UP TO Rs 5.00 lacs	Rs. 4500/-
ALL TAXI PROFILE VEHICLES above Rs 5.00 lacs	Rs. 5500/-
All other loans like Business loans, Mortgage loans, Machinery/Equipment loans etc.	1 % of the loan amount

In addition to the above charges, actual stamp cost of Rs.200/- to be collected from the customer.

Note:

CIBIL Score, Profile etc will be considered for evaluating the Processing charges.

Other Service Charges

Other charges	Amount (Excl. GST)
Cheque/ NACH/ ECS Return charges	750
Termination charges	500
Swap charges	500
Statement charges	500
Duplicate NOC charges	750
Old record search charges (36 months and above)	500
Security interest registration fee (CERSAI)	
(a) Loan below Rs..5.00 lac	50
(b) Rs..5.00 lac and above	100
CIBIL Charges (Non -individuals)	1000
Loan cancellation charge	3000
Cash Transaction charge	
Remittance of Re.1 to 999	NIL
Remittance of Rs.1000 to 49999	50
Rs.50000 to 199999	100