

INTEREST RATE POLICY

Regulatory Background:

Reserve Bank of India Vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 has directed that the Board of each NBFC shall approve an Interest rate model for the Company, taking in to account relevant factors such as cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances.

Further, the directive states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them. The Interest rate model is also required to be made available on the website of the NBFC so as to enable the customers to understand the logic and methodology of the lending rates charged to them.

In compliance with the said RBI directives, the Interest rate model for NJ Capital Private Limited (Hereinafter the “Company”) is given below:

I. Principles for determining interest rate for loans:

The Company has its own model for arriving at interest rates taking into due consideration the following factors -

Srl. No.	Particulars	Remarks	%age
A	Weighted Average Cost of Funds (incl. Fund raising costs)	Weighted average cost will include the cost of debt instruments like debentures, commercial paper, bank loans and will include any upfront fund raising costs that may be incurred in raising these funds.	XX%
B	Cost of Equity	The cost of equity shall be considered on the amount of capital invested by the Company into the business.	XX%
C	ALM Costs & Negative Carry on Investments	The Company keeps some liquidity buffer in the form of investments into liquid funds to manage liquidity risk and has to bear negative carry-on on those investments. The Company further incurs a certain cost to manage with the regulatory requirements on ALM's.	XX%
D	Operational Costs	It includes employee expenses, establishment costs - both fixed and variable, sales and marketing expenses,	XX%

		administrative costs, etc.	
E	Risk Premium	To cover credit/business risk which could vary by business, customer segment, geography etc.	XX%
F	Tenure Premium	The cost differential which may arise due to varying tenure of different loans/products.	XX%
G	Interest Charged	(G=A+B+C+D+E+F)	XX%

The said rate shall be reviewed by the Board of Directors from time to time.

- i. Risk Premium will be arrived at after duly considering the credit and default risk in -
 - i. related business segment;
 - ii. historical performance of similar homogeneous clients;
 - iii. profile of the borrower;
 - iv. borrower credit score;
 - v. overall borrower networth and borrower leverage;
 - vi. tenure of relationship with the borrower;
 - vii. repayment track record of the borrower in case of existing customer;
 - viii. subventions available;
 - ix. nature and value of primary collateral security etc.;
 - x. future potential;
 - xi. group strength;
 - xii. overall customer yield;

Such information shall be gathered from information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- ii. The rate of interest for the same product and tenor availed during same period by different customers need not to be standardized and could vary for different customers depending upon consideration of any or combination of above factors – which could influence their risk premium. The Company shall design credit models to calculate the appropriate risk premium after considering all the above factors.
- iii. The interest rates could be offered on fixed or variable basis and charged on flat or reducing balance method depending on the Asset Liability composition and market practise.
- iv. While computing the tenure premium, the impact of additional costs to hedge against interest volatility during the tenure, the cost of redeployment of the shorter term loan and the cost of acquiring the loan are all duly considered.
- v. The interest could be charged on monthly or quarterly rests for different products / segments.
- vi. Interest rates / interest type would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be

made available to the customer.

- vii. The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- viii. The rate of interest displayed shall be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

II. Other Charges

- i. Besides normal interest, the Company may levy additional / penal interest for delay or default in making payments of any dues. These additional or penal interests for different products or facilities would be decided by the Board based on a review of the delinquencies and its impact on Cash flows as also as a deterrent value.
- ii. Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to customers in a mode and the manner deemed fit.
- iii. Besides interest, other financial charges like processing fees, origination fees, cheque/mandate bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges etc. would be levied by the Company wherever considered necessary. Besides these charges, stamp duty, applicable tax and other cess would be collected at applicable rates from time to time as communicated in the documentation provided. Any revision in these charges would be have a prospective effect and will be communicated with the borrower.
- iv. While deciding on the charges specified above, the cost of providing those services as well as the practices followed by the competitors in the market would also be taken into consideration.
- v. Claims for refund or waiver of processing charges / penal interest / additional interest would normally not be entertained by the Company and it is at the sole discretion of the Company to deal with such requests on case to case basis.

This Policy on Interest Rates has been approved by the Board of Directors in its meeting held on 1st June 2019. This Policy is issued under the order and authority of Board.