

<p><b>Nahar Credits Private Limited</b></p> <p>CIN: U65921TN1993PTC026044</p>	<p><b>Interest Rate Model Policy &amp; Gradation of Risk</b></p>	<p><b>Version No.: 1.1</b>  <b>Rev Due on: November 30, 2022</b>  <b>Effective Date: October 13, 2022</b>  <b>Amendment date: October 13, 2022</b></p>
<p><b>Objective &amp; Preamble:</b></p>	<p>Pursuant to the press release on August 10, 2022, and Guidelines on Digital Lending circular No. DOR.CRE.REC.66/21.07.001/2022-23) dated September 02, 2022, by Reserve Bank of India (RBI), the board of directors of the Company ratifies the existing policy on October 11, 2022.</p>	

**Nahar Credits Private Limited**

## **Interest Rate Model Policy & Gradation of Risk**

## 1. Purpose

The Assets Liability Committee (ALCO) or any authority delegated by the Board of Directors of Nahar Credits Private Limited ("**the Company**") will be guided by this Policy while deciding/ fixing interest rates, penal charges, pre-payment charges, processing charges etc. of the Company.

RBI has vide circular DNBS. CC.PD. No.266/03.10.01/2011-12 dated 26 March 2012 (Guidelines on Fair Practices Code for NBFCs) directed NBFCs to have a documented Interest Rate Model Policy approved by the Board of Directors which would lay down internal principles and procedures in determining interest rates and other charges on the loan products offered by NBFCs.

The Company ensures fair practice and transparency to its customers and accordingly benchmark floating reference rate, range of rates of interest and the approach for gradation of risks will also be published on the Company's website: [www.naharcredits.in](http://www.naharcredits.in)

## 2. Determination of Rate of Interest

2.1 Benchmark Rate of Interest of the Company will primarily be based on the following factors:

- a) **Cost of Funds:** The cost of funds varies according to market conditions thus pricing of the loans is largely impacted by any change in the cost of funds.
- b) **Operating Expenses:** The Company in order to generate and maintain the business incurs certain expenses towards manpower, infrastructure, technology, legal, collection, professional expertise and other business-related expenses. These are termed as operational expenses.
- c) **Fair Profit margins:** A markup to reflect other costs / overheads to be charged to the loan and our designed margin.

2.2 Additional margins on the benchmark rate of interest may be applied for a particular loan facility considering the following factors:

- a) **Type of Loan**
- b) **Tenor of facility:** Tenor of facility is also a key factor in deciding on the interest rate

for the customer since short- and long-term funds have different cost associated to them.

- c) **Perceived Industry risk and current level of Rate of Interest in the market for similar lending activity**
- d) **Quality of Security/ Collateral**
- e) **Internal, External Credit Rating and Creditworthiness of the customer**
- f) **Profile of Customer:** Customer profile which includes their experience, educational qualifications, market reputation, business profile, financial profile, business model, etc. is an important factor is deriving the interest rate for the loans.

**2.3 Annualized Rate:** The Company will communicate annualized Rate of Interest to all its customers so that its customers are aware of exact rates that will be charged to respective loan facility.

Final Pricing to the customer

Annualized rate of interest: Base rate + Risk Premium assigned to the customer

Applicable Interest Rate is aggregate of Base Rate and the Spread, the Applicable Interest Rate shall change if there is change in either Base Rate, and, or the Spread

Sr. No	Financial Year (FY)	Base Rate (%)
1	FY 2019-2020	14.5%
2	FY 2020-2021	15.0%
3	FY 2021-2022	15.0%
4	FY 2022-2023	16.0%

**2.4 Ceiling on Interest Rate:** The Company will ensure that applicable rate of interest to any customer should not exceed the maximum rate fixed for each product offered by the Company.

**2.5 Penal Interest:** The Company will mention penal interest charged for late repayment in bold in the loan agreement. Any penal interest/charges being levied on the customers will be based on the outstanding amount of the loan and the rate of such penal charges will be disclosed directly on an annualized basis to the customer in the Key Fact Statement ("KFS"), thereby standardising the rate of such penal charges being levied. Any charges that are not

mentioned in the KFS will not be chargeable to customers at any stage during the loan term.

- 2.6 Short term Credit Facilities/Loans with no interest charges that the Company offers for a maximum period of 30 days. Customers will not be charged any additional interest if the Principal is paid off within the period specified in the facility arrangement under the indicated product, giving them the benefit of no-cost EMI.
- 2.7 The interest rates could be offered on a fixed or variable basis and charged on a fixed or reducing balance method. The ROI and the computation methodology will be reflected in customer Sanction Terms and KFS.

**3. Pre-payment charges**

The Company will ensure compliance with the regulatory requirements while charging pre-payment penalty for early closure of any of the loans. However, the Company has not decided to charge any pre-payment charges from the customers.

**4. Processing/ Documentation and other Charges**

These charges may vary based on the type of loan, the exposure limit, expenses incurred towards sourcing and processing of customers' loan proposals and generally represent the cost incurred in rendering services to the customers.

**5. Cooling Off Period**

Cooling off period shall be 30 days for consumption loans and 7 days for personal loans.

**6. Disclosure and Transparency**

To encourage the transparency and to build trust into the customers in the digital trading ecosystem, at the time of disbursing loans using digital apps, a KFS for all digital lending products will be provided to the customers before the execution of the contract. At the time of sanctioning of the loan and passing on the recovery responsibilities to a Lending Service Provider ("LSP")/ change in the LSP who will be responsible for recovery, the details of the LSP acting as recovery agent will be communicated to the customers by the Company.

The KFS provided by the Company will contain the details of the Annual Percentage Rate ("APR"), the recovery mechanism, details of grievance redressal officer designated specifically to deal with digital lending/FinTech-related matters and the cooling-off/look-up period. Any charges that are not mentioned in the KFS will not be chargeable to the customers at any stage during the loan term.

The customers will receive information on their verified email/SMS on the successful

execution of loan contract/transaction. Such information will be sent on the letterhead of the Company and will contain KFS, a summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the LSPs/ Digital Lending App (“DLAs”) with respect to the customers’ data, etc.

The Company will publish a list of their DLAs and LSPs engaged by them on their website i.e. [www.naharcredits.in](http://www.naharcredits.in).

## **7. Communication to the customer**

- The Company shall intimate the customer the annualized Rate of Interest at the time of sanction of the loan along with the tenure and amount of monthly installment.
- The customer shall also be informed about the Interest rate model policy. The customer can visit the Company’s’ website for referring the policy and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company i.e. [www.naharcredits.in](http://www.naharcredits.in).
- Any changes in the rates and charges for existing customers would also be communicated to them through either of e-mail or letter or SMS.
- The Company shall follow the guidelines mentioned in the Fair Practice Code as issued by RBI from time to time and as adopted by the Company through its Fair Practice Code Policy.

## **8. Approach for Gradation of Risk & Risk Premium Parameters**

Risk grading enables the Company to differentiate customers across different risk spectrum and helps in applying risk premium to that customer. The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- a) profile and market reputation of the customer;
- b) inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed;
- c) tenure of relationship with the customer 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 customer, 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) CIBIL score of an individual which determines the credit payment history across loan types and credit institutions over a period of time;
- i) regulatory stipulations, if applicable; and
- j) any other factors that may be relevant in a particular case.

#### **9. Monitoring and Review**

The ALCO or any group officials to whom powers have been delegated by the Board may decide the following:

- i) Methodology for computation of Benchmark Floating Reference Rate;
- ii) Range of Rate of Interest for various products;
- iii) Fee and Charges.

The committee shall review at the beginning of every quarter to decide the interest rates and other charges for that quarter. Any changes to the Transfer pricing and Risk premium range shall be approved by Committee. Any changes to the Interest Rate Policy shall have to be approved by the Board.

#### **10. Review of Policy**

The policy will be reviewed at yearly intervals or as an when considered necessary by the Board of the Company.

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