Interest Rate & Lending Rate Policy

Namdev Finvest Private Limited

Registered Office:

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NEER SAGAR MARKET, BHANKROTA,

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INDIA

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Har Pal Aap Ke Saath ..

Policy Name	**Interest Rate & Lending Rate Policy**	
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Prepared and proposed by	**Mr. Sanjay Chaturvedi**	
Approver	**Board of Directors**	**May 2025**

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Interest Rate Model/ Policy

1. Introduction

Namdev Finvest Private Limited (NFPL) is a Non-Banking Financial Company having valid Certificate of Registration with Reserve Bank of India vide registration No. B-10.00260 on 20th August 1997 under current RBI classification as NBFC – Non-Deposit taking Asset Finance Company.

It is focused on offering finance to MSME, Two-wheelers, Solar panel loan, Electric Vehicle (EV) loan, EV charging station loan and all kind of light commercial vehicles segment.

2. Preamble

Namdev Finvest Private Limited is into providing MSME, mortgage and other secured Loans to potential customers. The funds for such loans are borrowed from banks and other financial institutions for on-lending to potential borrowers. Given that these are customers who cannot be underwritten through the credit methodologies of banks and other financial institutions, these customers approach institutions like Namdev for their funding needs. Namdev has developed a niche underwriting methodology to evaluate the incomes of these customers and determine their creditworthiness.

3. Objective of the Policy

1. To ensure transparency in respect of terms and conditions of the financial facility extended to the borrower by the Company.
2. To protect the customer from charging of excessive interest rates.
3. To put in place adequate policy, practices and procedures in determining the interest rates

4. Pricing on loans

NFPL derives its primary incomes from the interest spread between the rate charged to its customers and the rate charged by its lenders. The operational and credit costs are deducted from this spread to arrive at the profitability of the company. This profitability is measured through ROA (Return on Asset).

The interest rate to be charged to potential borrowers depends on a multitude of factors listed below:

1. Weighted average cost of funds
2. Cost of Equity
3. Negative carry on liquidity
4. Operational expenses
5. Credit cost
6. Risk premium depending on customer risk category / segment /bureau / property etc.
7. Expected profitability (Interest spread)

Each of these parameters shall be periodically monitored to arrive at the final interest rate to be charged to the borrower. The factors have been enumerated below.

A. Weighted average cost of funds

Namdev borrows moneys from a multitude of financial institutions viz. banks, NBFCs, through various modes such as term loan, Non-Convertible Debentures, Commercial Paper, Securitisation transactions to name a few. While there are a number of factors evaluated by the lenders before arriving at the cost of funds that would be levied on the company, the primary parameter that differentiates the cost between different forms of funding is the underlying tenure of the facility sanctioned. Longer tenure facilities come at a higher cost compared to the shorter tenure facilities. The weighted average cost of borrowed funds as well as costs incidental to those borrowings, is arrived at after taking into consideration the average tenure, market liquidity and refinancing avenues.

B. Cost of Equity

Capital employed in a business through equity investment demands higher returns compared to debt, as equity investors bear greater risk and have a residual claim on the company's assets. This cost is determined by analyzing market risk premium, beta of comparable companies, and expected returns in the financial services sector.

C. Negative carry on liquidity

The Company keeps liquidity buffer in the form of investments/FDRs/MFs into short term funds as guided by the Investment Policy in compliance with RBI guidelines and to manage liquidity risk and has to bear negative carry on those investments too.

D. Operational Expenses

Operational expenses include personnel expenses, administrative expenses, depreciation which are incurred on a monthly basis. In a steady state scenario, the operational expenses remain fairly stable.

E. Credit Cost

Credit costs include expected Credit Loss provisions and write offs. In a state of stable portfolio performance, the losses are also predictable and would remain fairly stable.

F. Risk premium

Namdev has a very clear approach towards categorizing the customers based on their risk assessment. The Company uses multiple parameters in categorizing the customers into Low to High-risk categories.

The Risk profiling methodology of the customers is clearly elaborated in the Credit policy.

Risk profiling of borrowers i.e. categorization of borrower should be done for each credit proposal. The various factors to be considered for risk profiling are DBR/FOIR, Loan-to-Value ratio, High Mark / CIBIL Score, living style of customer and neighbourhood reference. The guidelines with respect to risk profiling are as follows:

Each parameter shall be classified as low risk, medium risk and high-risk basis the following;

Parameters	**Low**	**Medium**	**High**
FOIR	<50%	50% to 55%	> 55%
LTV	<50%	50% to 55%	> 55%
Customer Profile	Good	Average	Poor
Credit Bureau score	>650	550 to 650 & NTC*	<550
Age above	22-50 Yrs	51-70 Yrs	18-21Yrs & 71 Yrs & above

*NTC includes growing history.

1. **NTC** – is New to Credit Customer with Cibil Score of -1 and has no history of credit in Past.
2. **Customer Profile** – Will be Subject to credit Assessment on case-to-case basis and please give a functionality to credit underwriter to rate the same as per their credit discretion. It will be manual assigning as per credit.

G. Risk Scoring:- On the basis of above Credit Parameters, Final RISK SCORING of a Loan Proposal will be as under

Parameter	**Low Risk Score**	**Medium Risk Score**	**High Risk Score**
FOIR	**25**	20	10
LTV	**25**	20	10
Customer Profile	**15**	12	6
Age	**10**	8	4
CIBIL	**25**	20	10
Total Scoring	**100**	**80**	**40**

H. Risk Classification of Loan Proposal

Below will be the range and final risk classification of a Loan Account

Risk Score Range	Risk Classification
40-59	High Risk
60-79	Medium Risk
80-100	Low Risk

I. **Profitability (ROA)**

The revenues net of all the expenses enumerated above would lead to the profitability of the company which is called return of asset.

5. Interest rate working

From Namdev's perspective, the major points of consideration amongst the variables mentioned above are the Cost of funds and Risk premium since the other variables are expected to be constant across the various category of loans, irrespective of the risk categorisation of the borrower. Hence the Interest rate model aims at addressing these 2 variables to arrive at the pricing to the end customer.

Given the focus primarily on the cost of funds, which is dependent on the underlying tenure, and the fact that the Company refrains from doing high risk borrowers, it is proposed to adopt an Interest rate model, which will built on the underlying tenure of the assets originated.

Besides interest, other financial charges like processing fees, cheque bouncing charges, pre payment/ foreclosure charges, part disbursement charges, cheque swaps, cash handling charges, RTGS/ other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, NOC, letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the company wherever considered necessary. Besides the base charges, the service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect.

The practices followed by other competitors in the market would also be taken into consideration while deciding the charges to customers as per fair practices.

In case of staggered disbursements, the rates of interest would be subjected to review and the same may vary according to the prevailing rate at the time of disbursements or as may be decided by the company.

In case of high-risk borrowers being onboarded, an additional risk premium would be levied. Namdev charges average fixed Rate of Interest ranging 12-40% for key MSME & Vehicle products (for majority portfolio) on reducing balance basis to its retail borrowers. Any exception/deviation to be approved by Authorized person within the below product pricing range.

Product	Interest type	Lending range	Tenure
Mortgage/ Small Business Loan/ MSME loans/Loan against property/Wholesale lending	Fixed	14.00-30.00%	12 mn to 120 mnths
Vehicle/ Green/ Other loans*	Fixed	12.00-40.00%	12 mn to 60 mnths

**Certain Schemes can have 'Zero' (0% coupon) interest rate where fees/charges can be upfronted to discount the cash flow such that the weighted average rate charged to the customer would fall in above range.*

Claims for refund or waiver of charges/ penal interest / additional interest would normally not be entertained, and it is the sole discretion of the management to deal with such requests if any.

Current Lending Rate -Product wise (Estimated income/expenses basis);

Business	Type of Rate	A to E	A	B	C	D	E
	Type- Fixed or floating	Total	Cof**	Opex	NCL	Other (Risk Premium)	Profit margin (ROA)
Mortgage/ Small Business Loan/ MSME loans/Loan against property/Wholesale lending	Fixed	14-30%	12.00%-14.00%	~6.50%-8.50%	~0.50%-1.50%	As per product	2-4%
Vehicle/ Solar/ Other loans	Fixed	12-40%	12.00%-14.00%	~6.50%-8.00%	~1.50%-4.5%	As per product	2-4%

*Rate are on reducing balance basis.
**Cost of fund includes cost of equity as well.
Note: Above-mentioned table is for illustrative purpose only

Elements that are part of the Prime lending rate;

A= Cost of fund
B=Operational Expenses
C=Net Credit cost/loss
D=Risk Premium

E= Profit Margin

The ALCO or the Board shall be the authority to decide on the Interest Rate Policy (Pricing) to be charged for different tenures of assets. Board can delegate powers to MD & CEO to deal with any specific case for deviations basis market conditions.

A. Annualized Rate

The interest would be charged on monthly/quarterly/half yearly rests or on maturity, depending on product features and customer preferences. However, the customer would be provided an annualized rate of interest in the sanction letter.

B. Fee & Charges

The charges applicable to customer will be communicated through a web-link and at the time of sanction. Any revision in these charges or any other applicable charges like PF Range, 2-3% for MSME, Rs. 2000 for Two-wheeler, and 1-2% for other products including GST, would be implemented prospective basis with due communication to customers. This Range excludes other charges like IMD, Due diligence charges, Document Charges, Valuation charges.

For further details please refer to the MITC Policy uploaded on our website.

6. Interest rate model for Co-lending/Channel Finance/BC Partnership

Based on the respective interest rates and proportion of risk sharing, a single blended interest rate will be offered to the ultimate customer as fixed rate loans.

All the pre disclosed charges to customers will be shared in predetermined ratio between the Company and partners.

7. Other Factors

Several other factors influence the Interest Rate charged to borrower, these factors can vary across different countries and financial systems, but some common elements include:

A. **Economic Conditions**: The overall economic health of a country, including factors like inflation, unemployment, and GDP growth, can influence the Interest Rate. In a robust economy, the rate may increase, while in a downturn, it might decrease.

B. **Credit Risk:** The creditworthiness of borrowers affects the risk perceived by banks. The Interest Rate may be higher for borrowers with lower credit scores or perceived higher risk.

C. **Market Interest Rates:** Movements in broader financial markets, including changes in the yields on government bonds, can influence the cost of funds for banks and, subsequently, the Interest Rate.

D. **Liquidity in Financial Markets:** The availability of funds in the financial system can impact interest rates. If there's a shortage of liquidity, banks may raise their Interest Rate.

E. **Currency Exchange Rates:** For countries with floating exchange rates, fluctuations in currency values can affect the cost of imported goods and impact inflation, influencing the Prime Lending Rate.

F. **Regulatory Changes:** Alterations in banking regulations and policies, including capital requirements and reserve ratios, can affect the cost of doing business for banks and, in turn, the Interest Rate.

G. **Global Economic Factors:** Economic events and conditions in other countries can have spillover effects on a nation's economy and, consequently, its Interest Rate.

H. **Consumer Confidence:** The confidence of consumers and businesses in the economy can impact spending and investment, influencing the overall demand for loans and affecting the Interest Rate.

I. **Political Stability:** Political stability and the overall regulatory environment can affect investor confidence and, consequently, influence interest rates.

J. **Monetary Policy Expectations:** Anticipated changes in monetary policy, even before they occur, can lead to adjustments in the Interest Rate as banks position themselves based on expectations.

K. **ALM mismatch cost** The Company borrows funds through short term and long-term products and to comply with the regulatory guidelines, it needs to manage ALM gaps under certain limits imposed by the regulator, while taking in to account the prepayments made by the customers, consequently, influence interest rates.

L. **Risk related to Geographies:** The Company operates in multiple Sates wherein clients are spread across several geographies with limited access to finance and, as a result, might be vulnerable if economic conditions worsen or growth rates decelerate in particular State/Geography, or if there are natural disasters such as floods and droughts in areas where the clients live. Moreover, there is no precise method for predicting Geographical credit losses, and the Company cannot assure that it's monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover actual losses this could be materially and adversely affect interest rate charged to Clients.

8. Policy Severable

This policy read with RBI Master Direction constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

Further, the regulatory guidelines as prescribed shall prevail in the event of any amendments or requirements not incorporated in the policy.

9. Revision to Lending Rate

1. The revision to Lending Rate would be decided periodically, depending upon market volatility and cost to company.
2. Any revision in the Lending Rate will be updated in the website.