OPTIMO

LOAN

Nipun Projects & Finance Private Limited

Interest Rate Model Policy

Serial No.	Version	Prepared by	Date of Approval
1	V1	Credit, Risk	02-04-2024

Interest Rate Model Policy

Preamble

Nipun Projects & Finance Private Limited ('Optimoloan' or 'Nipun') is an NBFC registered with RBI providing unsecured and secured loans to small business entrepreneurs and thereby bridging the credit gap prevalent in the MSME sector. The token size of loans extended by Nipun is in the range of INR 1-50 lakhs for secured and unsecured loans. Nipun seeks to be a leading participant in the said segment and thereby act as a catalyst in the growth and progress of India.

Pursuant to the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India (RBI), the company seek to adopt following Interest Rate Model.

Interest Rates

The Interest Rates for the credit extended by Nipun is primarily based on following factors:

a. Cost of funds

Cost of funds is an important factor in determining the interest rates being extended to borrowers. The cost of funds is dependent on the terms at which credit facilities are extended by lenders of the company. The terms vary from lender to lender and is also based on macro factors prevalent in the industry. The company is presently focusing on raising funds from Banks and NBFCs in the form of term loans.

b. Operations Cost

Operations cost gets factored into the cost sheet. This includes employee cost, documentation charges, and all other administrative cost incurred for running the business. The operations cost would vary in case of secured and unsecured loans, two major products offered by the company presently. Secured loans have a higher Ops cost but they get appropriated over a larger tenure and hence per year operations cost is lesser.

c. Credit Loss Provisions

Additionally, a risk premium would be added based on the risk profile of the borrower.

Risk Premium

The applicable risk premium would be based on following factors:

i. **Business Risk:**

There would be a risk premium applicable for certain category of business where the company feels that there exists substantial possibility for fluctuations or uncertainty. If the nature of business is seasonal or the inherent nature of business is such that the inflow could be disrupted, that may also be factored in arriving at the interest rate.

ii. **Financial Risk:**

If the borrowers conduct of financial transactions is through proper banking channels, it would be perceived as less risky as against a borrower who is doing cash transactions.

iii. **Industry Risk:**

Risk premium shall also be based on nature of industry in which the borrower is operating.

The Risk Premium will normally remain within range of 0%-5%, depending upon the above factors. The Head - Credit shall decide on the interest rate in line with this Policy.

Gradations of Risk

Based on the perceived risk, the company categorizes its borrowers into the following buckets:

1. **High Risk**

   These are customers who carry a relatively high degree of risk in terms of repayment based on the assessment of the company. This could be due to any of the risk factors as mentioned above or other identified factor falling outside its purview. Customers who are tagged as High Risk will be monitored constantly so that any signs of stress can be identified by the company well within time.

2. **Medium Risk**

   This category of borrowers satisfy certain criteria which mandates the company to keep a close watch. They may not be falling under a specifically risky industry or may not have risky business operations but would be satisfying some other criteria.

3. **Low Risk**

   Low risk borrowers are set of borrowers who require less monitoring. They would fall under less risky industries and hence will not be subjected to seasonal fluctuations and is expected to meet the commitment of repayment.

Approach on Interest Rate – Other Important Parameters

1. Interest rate extended to borrowers would be decided based on a case-to-case basis and it will fall within the agreed range;

2. Additional or other charges would be levied which will be as per the Credit Policy of the company;
3. The interest rates being charged would be clearly disclosed to the borrowers while sanctioning;
4. Interest rate is subject to change based on whether a borrower is new to credit or there is already a credit history available with the company;
5. Based on business exigency, the Head – Credit is authorized to make changes to the interest rate with the approval of the Managing Director.

Review

This model shall be reviewed as and when required by the Board of Directors and any revision in this policy shall be decided by the Board.