INTEREST RATE POLICY

blacksoil
AN ALTERNATE CREDIT PLATFORM

Content Management

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Regulatory Reference:

Regulation 45.12 of Reserve Bank of India (RBI) Master Directions - Non-Banking Financial Company - Scale Based Regulation) Directions, 2023.

Preamble:

Pursuant to Regulation 45.12 of Reserve Bank of India (RBI) Master Directions - Non-Banking Financial Company - Scale Based Regulation) Directions, 2023, as amended from time to time, and other subsequent communications advised the Boards of Non- Banking Finance Companies (NBFC's) to lay out appropriate internal principles and procedures on determining interest rates, processing and other charges.

Keeping in view the RBI's guidelines as cited above, other applicable guidelines as amended from time to time, and the good governance practices, the Company had adopted the internal guidelines, policies, procedures and interest rate model for its lending business. The Board have revisited the existing Interest Rate Policy and made suitable changes to the same. The Revised Policy is being placed before the Board of Directors for review and approval.

These guidelines need to be taken cognizance of while determining interest rates and other charges, and any subsequent changes thereto.

Objective of Policy:

This Policy lays down the guidelines to the operational personnel and other decision makers (including the Credit Committee) of Blacksoil Capital Private Limited ("the Company") while determining the rate of interest and other fees to be charged from a customer seeking to avail loan.

This document is intended to present the policy of the Company for dealing with customers [borrowers], in respect of determining the pricing for loans given by the Company, in a transparent and open manner. The approach is to evolve a standard for pricing of loans with a view to ensuring that pricing is fair and transparent.

Though interest rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to usual financial practice. This Interest Rate Policy is in compliance with the requirement of credit policy to have a documented policy for interest rates being charged on loans disbursed by the Company and ensures coverage under the Fair Practices Code.

Given that the business model of the Company focuses on providing credit only to customers meeting the credit standards of the Company for varying tenors, the interest rate applicable to each loan account, is assessed on a case to case basis, based on the evaluation of various factors, as detailed hereafter.

Marginal Cost of Funds based Lending Rate (MCLR):

The current MCLR is 12.00%. The interest on loan/debt investments offered by the Company cannot be lower than MCLR. Prior approval from the Investment Committee is required if the loans are offered lower than MCLR.

The frequency of reset MCLR is on quarterly basis by Whole Time Director of the Company.

Establishing an Interest Rate:

The business model focuses on providing credit only to customers meeting the credit standards of the Company for varying tenors. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors detailed below:

The rate of interest shall be determined based on the cost of borrowed funds, matching tenor cost, market liquidity, refinance avenues, offerings by competition, tenure of customer relationship, cost of disbursements (Cost of Fund). In addition to the Cost of Fund, the rate of interest shall further be determined based on inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, professional qualifications, stability in earning and employment and repayment ability, overall customer yield, risk premium, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers , industry trends, etc.

The interest rate applicable to a particular loan will be determined by reference to a number of factors, including:

a. **Tenor of the Loan**
The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest (viz monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment etc.

b. **Internal and External Costs of Funds**
The rate of interest we charge is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity issued; is also a relevant factor.

c. **Internal cost loading**
The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction should be taken into account before arriving at the final interest rate quoted to a customer.

d. **Credit Risk**
As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a transaction depends on our internal assessment of the credit strength of the customer and subject to Non-systematically important NBFCs prudential norms (RBI) direction.

e. **Structuring Premium:**
A premium may be applied to a loan in case the loan has any significant structuring elements with respect to collateral, or other aspects of transaction structure.

f. **Other Factors**
Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

Approach for Gradation of Risk:

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

a. profile and market reputation of the borrower,
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 borrower 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 borrower,
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. regulatory stipulations, if applicable,
i. and any other factors that may be relevant in a particular case.

Rate of Interest:

a. Interest rates offered could be on fixed / floating rate basis.
b. The rate of interest for the same product and tenor availed during same period by different customers need not be standardized. The final lending rate applicable to each customer will be assessed based on various factors as detailed in this Policy.
c. At present the Annualised Rate of Interest* to be charged to borrower, at the time of sanctioning loan, shall be in the range as mentioned below:

Lending Assets/Sector	**Range of Interest**
Growth Companies and Financial Institutions	MCLR+ 1%-6% p.a.
Supply Chain Finance	MCLR + 1%-12% p.a.

* in exceptional circumstances, based on risk perception, this may fall outside the indicated range.

d. Loan amount, annualized rate of interest and tenure of loan will be communicated to the borrower in the term sheet and the apportionment of installments towards interest and principal dues shall be made available to the borrower.
e. Besides normal interest, the Company may levy additional interest for adhoc facilities, penal interest / default interest for any delay or default in making payments of any dues. The details of penal interest charges for late repayment will be mentioned in bold in the loan agreement and communicated in the term sheet.
f. Besides interest, other financial / processing charges like upfront fees, backend fees, cheque bouncing charges, cheque swaps, cash handling charges, RTGS / other remittance charges, commitment fees, charges on various other services like issuing NO DUE certificates, No Objection Certificate (NOC), letters ceding charge on assets/ security, security swap & exchange charges etc. would be levied by the Company

wherever considered necessary. In addition, the GST and other taxes, levies or cess would be collected at applicable rates from time to time.

g. These charges would be proposed by the Credit Committee of the Company and decided upon by the Board of Directors of the Company.
h. The rate of interest applicable to each customer is subject to change as the situation warrants and is subject to the perceived risk on a case to case basis.
i. Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.
j. Intimation of change of interest or other charges would be communicated to customers in a manner deemed fit, as per terms of the loan documents. Any revision in interest or other charges would be with prospective effect.
k. Claims for refund or waiver of charges/ penal interest/ additional interest would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

Appraisal & Upfront Charges:
The processing charges of 0-3% of the loan amount will be levied, these will be agreed with the borrower on a case by case basis.

Security deposit/ reserves:
Security deposit of up to 30% of the loan amount will be taken from the customer. Security deposit may in the form of a deposit/escrow account/debt service reserve account or interest service reserve account.

Backend Charges:
Backend charges will be up to 0-2% of the loan amount. The waiver of charges will be subject to the Investment Committee approval.

Prepayment Charges:
Backend charges will be up to 0-2% of the prepayment amount. The waiver of charges will be subject to the Investment Committee approval.

Penal (Additional):
Penal of up to 1-4% per month of the outstanding amount will be charged on any defaulted amount, for the period of default.

Delayed Fee:
An additional 0-2% per month of the loan amount, if the definitive documents are not executed within 30-75 days of execution of term sheet.

Legal & Diligence Cost:
The legal & diligence cost to be borne by the borrower. In special cases, the cost will be borne by the Company.

Procedural Aspects:
The Company shall communicate to its customers (borrowers), via term-sheet, the following details;

a. The amount of loan sanctioned along with the terms and conditions including annualised rate of interest applicable to the loan,
b. Details of the default interest / penal interest rates upto (indicative%) per month and other fees and charges payable by the customers in relation to their loan account and method of application thereof and
c. Major terms and conditions and other caveats governing the loan to be given by the Company

d. In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer either as an addendum /additional annexure to relevant loan documents. However, all the relevant formalities pertaining to the same shall be documented and a copy of the same shall also be sent to the customer. The same may be communicated through electronic media or any-other form of communication. The acknowledgement of the receipt of the said additional document shall also be preserved on the records by the Company.

Communication:

All the above information shall be in writing / electronic media or any other form of communication and shall be duly approved / accepted by the customer and certified by an authorised official of the Company.

Interest Rate Policy would be uploaded on the website of the company and any change in the benchmark rates and charges for existing customers would be uploaded on the web site of the Company.

Changes in the rates and charges for existing customers would also be communicated to them through any of the various modes of communication such as website updation, email, letters, SMS, etc.

Review of Policy:

The Policy shall be reviewed once in a year or in between if required due to changes required in the model, for example any addition/deletion of a particular component forming part of benchmark calculation.

Amendments to the Interest Rate Policy:

The Board hereby authorizes the Whole Time Director to review and make appropriate changes to the Interest Rate Policy from time to time basis the money market scenario in the Country which includes the upward / downward revision in interest rates applicable to various loan products and the relevant charges applicable for such loan products.