

# NIIF INFRASTRUCTURE FINANCE LIMITED

## INTEREST RATE POLICY

### Applicable Regulation

Master Direction – Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023, as amended and updated from time to time.

### Reviewing & Approving Authority

<b>Authority</b>	<b>Designation</b>
Prepared By	Chief Business Officer
Reviewed By	Chief Executive Officer
Recommended By	Audit Committee
Approved by	Board of Directors
Month/ Year	May 2024

### NIIF INFRASTRUCTURE FINANCE LIMITED

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## **NIIF IFL – Interest Rate Policy**

### **A. PREAMBLE**

As per RBI guidelines, all non-banking financial companies (**NBFCs**) have been advised to disclose on their respective websites, their Board-approved interest rate policy ("**Interest Rate Policy / the Policy**") that outlines the principles for determining the interest rate, penal charges and processing / other charges.

In accordance with extant regulatory guidelines, this Interest Rate Policy covers the methodology for the determination of interest rates for advances (loans/ debentures) taking into account relevant factors such as cost of funds, spread, and risk premium and nature of non-compliances for determining penal charges.

NIIF IFL is an Infrastructure Debt Fund - Non-Banking Financial Company (IDF-NBFC). NIIF IFL is in the business of refinancing operational infrastructure projects which have completed at least 1 year of satisfactory commercial operations. NIIF IFL lends to borrowers in the infrastructure space (wholesale lending), which have complex risk profiles. The rate of interest would accordingly be decided based on the risk profile matrix of each borrower.

NIIF IFL would disclose its benchmark rate on its website. NIIF IFL would also disclose the benchmark rate (or any other applicable benchmark, or fixed or floating rate, as the case may be), applicable spread, reset frequency and penal charges in the sanction letter and facility agreement. Any changes with respect to these factors would be suitably disclosed and communicated to the borrower. The interest rates and penal charges in project loans would clearly spelled-out in the sanction letter as well as the facility agreement(s).

This Policy and the above-mentioned disclosures will enable the borrowers to understand the logic and methodology used for determining the lending rates and penal charges charged to them.

The methodology/ principles for determining interest rates on loans and nature of non-compliance for determining penal charges to borrowers engaged in operational infrastructure projects are given below:

### **B. PRINCIPLE FOR DETERMINING INTEREST RATES FOR BORROWERS AND BROAD CRITERIA FOR DETERMINING PENAL CHARGES.**

The interest rate charged to borrowers shall comprise of NIIF IFL's benchmark rate plus a spread that depends on the risk premium relating to the transaction.

NIIF IFL may have multiple benchmark rates depending on the duration/reset based maturity of the advance. For example, there may be separate benchmark rates for

5-year and 10-year financing.

The following components are considered for the computation of the benchmark rate.

- a) Marginal cost of funds
- b) Operating expenses
- c) Negative carry on the interim deployment of surplus funds
- d) Tenor Premium

NIIF IFL has adopted an internal credit rating framework, which is detailed in the Board approved credit policy. As per the framework, NIIF IFL shall assign a rating score to all its loans, which takes into account various factors like the strength of the promoters and past track record, the financial robustness of the project, security offered, various risks associated with the project like market risk, operating risk and regulatory risk among others and mitigation thereof.

NIIF IFL has an Asset Liability Management Policy and an Asset-Liability Management Committee (ALCO) which reviews/ takes decisions on *inter alia* the overall contours of key factors impacting pricing.

The interest rate for a transaction would be determined by applying the spread over the relevant NIIF IFL benchmark rate. The spread for each asset would be determined keeping in mind the rating score for the asset as well as interest rates at which other market participants are pricing similar deals.

NIIF IFL reserves the right to charge higher spreads on a case-to-case basis due to unforeseen, exceptional, or extraordinary changes in the financial market conditions or any other factor impacting the credit profile of the borrowers. NIIF IFL may offer either fixed or floating interest rates. The interest rate could also be subject to resets from time to time. NIIF IFL may offer an interest rate linked to its own benchmark rate or another agreed benchmark. For example: In a consortium loan, NIIF IFL may offer an interest rate which is linked to the benchmark interest rate of the lead bank. The interest shall be payable at a pre-agreed frequency that could be monthly / quarterly / half-yearly or annually. The annualized rate of interest shall be suitably communicated to the borrower.

NIIF IFL may further structure the interest payments based on the project performance/ cashflows and / or market requirements. These structured payments could *inter-alia* be in the form of step-up/flexible coupon /accrued interest/ redemption premium (in the case of NCDs) structures. Interest rate (including benchmark rate and spread, when applicable) may be communicated to the borrower at the time of sanction/ availing the advance through a Letter of Intent (LOI)/ Sanction letter.

In addition to the interest rate, processing charges, legal fees, penal charges, commitment fees, prepayment/ foreclosure charges, etc. would be levied wherever

considered necessary as per sanction terms. The penal charges , if any, charged for late repayment shall be highlighted in the loan agreement.

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as ‘penal charges’ and shall not be levied in the form of ‘penal interest’ that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan agreement without being discriminatory within a particular loan category.

NIIF IFL may charge penal charges (plus applicable taxes) to Borrowers on account of following material non-compliances:

Sr. No	Nature of non-compliance	Penal charges (% of outstanding loan/NCD)
1.	<u>Default in payment of interest/principal/any other amount due under financing documents</u>	1-2%
2.	<u>Non creation of Security.</u> (Penal charges will be imposed depending on the length of the delay and the grounds for the delay in the creation of security.	Up to 1%
3.	<u>Non-compliance of any other conditions/covenants as stipulated in the financing documents/sanction letter.</u>	Upto 2%

It is clarified that for any assignment cases, penal charges for non-compliance with material terms & conditions shall be as per executed assignments agreements, including amendments (if any) thereof.

NIIF IFL may send reminders to borrowers for non-compliance with the material terms and conditions of the loan agreement, as well as the applicable penal charges, and communicate the instance of penal charges levy and the reasons for the same. The loan agreement and the most important terms and conditions/key fact statement, as applicable, would be clearly disclosed to customers by NIIF IFL. The interest rate policy will be displayed on the website.

The quantum and reason for penal charges would be clearly disclosed by the Company to the customers (in the loan agreement). The most important terms and conditions/ key fact statement, as may be applicable, would be disclosed to the customers and where standardized, displayed on the website under Interest rates

and Service Charges.

The Policy will be reviewed at least once a year or on a more frequent basis as deemed necessary.