NIIF IFL INFRASTRUCTURE FINANCING

NIIF INFRASTRUCTURE FINANCE LIMITED

Interest Rate Policy

July 2019

Owner: Head - Business

A. PREAMBLE

As per RBI guidelines, the Boards of all NBFCs have been advised to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges and post it on their website.

The Interest Rate Policy (the 'Policy') covers the methodology for determination of interest rate for advances (loans/ debentures). This will enable their customers to understand the logic and methodology used for determining the lending rates charged to them. Further the directive states that the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest for different borrowers should be communicated to the borrowers in their sanction letter.

The Policy will be reviewed at least once a year or on a more frequent basis as deemed necessary. In line with the same, the methodology for determining interest rates is given below.

B. PRINCIPLE FOR DETERMINING INTEREST RATES FOR BORROWERS

The interest rate charged to borrowers shall comprise of NIIF IFL's Benchmark Rate (BR) plus a Spread that depends on the Risk premium of that advance.

NIIF IFL may have multiple benchmark rates depending on the duration/reset based maturity of the advance. The BR is NIIF IFL's cost of borrowing funds from the market for that duration.

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 debt assistance 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.

NIIF IFL also has an Asset Liability Management Policy in place where Asset-Liability Management Committee (ALCO) inter alia is responsible to discuss the product pricing for advances.

The interest rate for the deal is determined by applying the Spread over the relevant NIIF IFL Benchmark Rate (BR). The Spread for each asset is 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 non-compliance of covenants and/or unforeseen, exceptional or extraordinary changes in the financial market conditions.

NIIF IFL can offer either fixed or floating interest rate. The interest rate could also be subject to resets from time to time. NIIF IFL may offer interest rate linked to its own Benchmark Rate or another agreed Benchmark. For example: In a consortium loan, NIIF IFL may offer 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. NIIF IFL can further structure the interest payments based on the project cashflows and / or market requirements. These structured payments could inter-alia be in the form of step-up coupon / accrued interest structures. Interest rate (including Benchmark rate and Spread, when applicable) is communicated to the borrower at the time of sanction/ availing the advance through a Letter of Intent (LOI).

In addition to the interest rate, processing charges, legal fees, penal and liquidated damage charges, commitment fees, prepayment/ foreclosure charges etc. would be levied wherever considered necessary as per sanction terms.