NIIF INFRASTRUCTURE FINANCE LIMITED

INTEREST RATE POLICY

Applicable Regulation

Reserve Bank of India Master Directions Systemically Important Non-Deposit Taking Non-Banking Financial Companies dated September 01, 2016(updated as on September 29, 2022), as amended, and updated from time to time.

Reviewing & Approving Authority

Authority	**Designation**
Prepared By	Chief Business Officer
Reviewed By	Chief Executive Officer
Approved By	Board of Directors
Last reviewed	November 2022

NIIF INFRASTRUCTURE FINANCE LIMITED
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NIIF IFL – Interest Rate Policy

A. PREAMBLE

As per RBI guidelines, all NBFCs have been advised to disclose on their respective websites, their Board-approved Interest Rate Policy that outlines the principles for determining the interest rate and processing / other charges.

In accordance with extant regulatory guidelines, this Interest Rate Policy (the 'Policy') covers the methodology for the determination of interest rate for advances (loans/ debentures) taking into account relevant factors such as cost of funds, spread, and risk premium.

NIIF IFL is an Infrastructure Debt Fund - Non-Banking Financial Company (IDF-NBFC). NIIF IFL is in the business of refinancing operational infrastructure projects with satisfactory completion of 1 year of commercial operations (wholesale lending). NIIF IFL lends to wholesale borrowers in the infrastructure space, which have complex risk profiles. The rate of interest would accordingly be decided based on the complex 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, and reset frequency 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 in project loans would clearly be spelt out in the sanction letter as well as the facility agreement(s).

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

The methodology/ principles for determining interest rates on loans to borrowers engaged in operational infrastructure projects is given below:

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 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 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 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 (BR). 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 non-compliance with covenants and/or unforeseen, exceptional or extraordinary changes in the financial market conditions. NIIF IFL may 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. The annualized rate of interest shall be suitably communicated to the borrower.

NIIF IFL may 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/flexible coupon / accrued interest/ redemption premium (in 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).

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. The penal interest, if any, charged for late repayment shall be highlighted in the loan agreement.

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