NEOGROWTH
Lending simplified. Growth amplified.

Interest Rate Policy

NeoGrowth Credit

Date : 29th October - 2024

NEOGROWTH
Lending simplified. Growth amplified.

Contents

Date : 29th October - 2024

I. Preamble

Reserve Bank of India (RBI) vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023, as updated from time to time, has directed all the NBFCs to:

- Put in place a Board approved Interest Rate Model taking in to account relevant factors such as cost of funds, margin and risk, premium etc and determine the rate of interest to be charged for loans and advances
- Communicate the rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers.
- Make available the rates of interest and the approach for gradation of risks on the website of the companies.

II. Objective

To arrive at the benchmark rates to be used for different category of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers

III. Approach for gradation of risk:

➢ NeoGrowth has a model for arriving at interest rates taking into consideration among other things NeoGrowth's weighted average cost of funds, overheads and other administrative costs which is further adjusted for ALM mismatch. The weighted average cost of funds is computed taking into account the cost of NeoGrowth's aggregate borrowings at the month end time from various sources such as consortium and other bank lines, non-convertible debentures, commercial papers, etc.

➢ The rate of interest for loans for various business segments and various schemes thereunder is arrived after taking into account the below factors for the business segment.

- Credit and default risk in the related business segment
- Output of application scorecard
- Historical performance of similar homogeneous clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Loan with collateral security vs without collateral security
- Ticket size of loan
- Bureau Score
- Tenure of Loan
- Location delinquency and collection performance
- Customer Indebtedness (other existing loans)
- Pricing offered by competition and other relevant factors

➢ The rate of interest for the same product and tenor availed during the same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or combination of above factors.

- Any revision in the Company's interest rate and the consequential interest rates applicable to business would be reviewed and approved by the Asset Liability Committee / CEO / CFO.

- The rate of interest shall be annualised rates, with daily, weekly, fortnightly, monthly, bi-monthly, quarterly, semi-annually, or annual compounding.

IV. Pricing

Pricing is essentially a function of risk, tenor and prevailing market trend.

The Company intimates the borrower, the loan amount and rate of interest at the time of sanction of the loan along with the tenure and amount of the instalment.

The pricing for each of the product is arrived at by taking into consideration cost of funds, risk premium, other operating costs, margin, credit losses and pre-tax ROA.

Sr. No	Factor	Description
1.	**Cost of Funds**	• The Company raises funds from its lenders with both end use specified and/or unspecified which is against pool of receivables. • The cost of fund varies for different products offered by the company depending on nature of product, tenor, repayment frequency, priority lending benefits etc. • Company also needs to put some equity portion to run the business and the cost of such equity is taken into consideration. • The Company also keeps some liquidity buffer in the form of investments into liquid funds to manage liquidity risk and has to bear negative carryon on those investments too.
2.	**Operating Cost**	Retail products offered by the Company are sourced by in house teams/DSA's and collections are also undertaken through its own teams/collection agents. Accordingly, the Company operates through a large number of employees on its rolls as well collection agents which substantially increases the operating costs.
3.	**Margins**	The Company operates through its large network of branches located in 28+ cities and mostly through its own employees/collection agents. The Company has invested widely in technology in order to improve loan servicing to its customers. The teams are ably supported by technology and analytics for sourcing of business. The margins are hence calculated accordingly.
4.	**Risk Premium**	The company has been operating consistently at par with industry levels of collections through investments in on-ground collections team ably supported by technology and analytics. However, some of the products may be prone to certain event risks such as demonetisation, floods,

Sr. No	Factor	Description
		COVID 2019 etc. Premium for such event risk gets included in the pricing of each product.
5.	**Pre-tax ROA**	Base Return on assets is the minimum return expected by the company on its assets.

Company lends money to its retail borrowers on fixed rate of interest. The Company offers following retail products to its borrowers.

Sr. No	Product	Offering/Ticket Size	Range of Annualized rate of interest[1] (at respective frequency rest) generally charged to our customer[2]
1.	NeoCash Insta	Rs 1 Lac to Rs 20 Lac	30.0% to 40.0% p.a.
2.	NeoCash Express	Rs 21 Lac to Rs 30 Lac	28.0% to 40.0% p.a.
3.	NeoCash Retail	>Rs 30 Lac to Rs 75 Lac	18.0% to 40.0% p.a.
4.	Accelerator	Rs 10 Lac to Rs 30 Lac	21.9% to 29.0% p.a.
5.	Vendor Finance	>Rs 30 Lac to Rs 75 Lac	18.0% to 30.0% p.a.
6.	PLUS Loans	Rs 10 Lac to Rs 75 Lac	15.0% to 25.0% p.a.
7.	Purchase Finance	Rs 5 Lac, Rs 10 Lac	29.0% to 30.0% p.a.

***Note:**

1. The interest rate range is an indicative and the final rate is arrived basis the gradation of risk. Indicative interest rate as communicated above are subject to change at any point of time, subject to the sole discretion of the Company.

2. The pricing would inter-alia be based on due negotiation (where applicable) with the client and/or credit assessment parameters being followed by the Company.

V. Fees and Charges

- Besides interest, other financial charges like processing fees, origination fees, commitment fees, cheque /NACH bounce charges, late payment charges, reschedulement charges, pre-payment / foreclosure charges, charges for issue of statement account etc., would be levied by the company, wherever considered necessary. Besides these charges, stamp duty, service tax/GST, other cess and any other statutory dues would be collected at applicable rates from time to time. The company may decide not to levy some of the charges or waive these charges for some customers or at some periods like festive offers etc., based on the decision of the management.

- While deciding the charges, the practices followed by the competitors in the market would also be taken into consideration.

- Claims for refund or waiver of charges / penal charges / additional interest would normally not be entertained by the company, and it is at the sole discretion of the company to deal with such requests.

- Any revision in the interest rate and charges would be implemented on prospective basis with due communication to customers.

- Applicable schedule of charges (wherever necessary) is available on the website of the Company.

VI. Communication of aspects of the Policy

The company will communicate the effective rate of interest to customers at the time of sanction / availing of the loan through the acceptable mode of communication.

Interest rate model and schedule of charges (wherever necessary) would be uploaded on the website of the company and any change in the charges for existing customers would be uploaded on the web site of the Company.