

Business NextGen Finance Private Limited (BNF)

Interest Rate Policy

Sep 2025



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Our Interest Rate Policy

The Reserve Bank of India (RBI) requires all Non-Banking Finance Companies (NBFCs), including our Company – Business Nextgen Finance Private Limited (BNF), to establish clear internal principles for setting interest rates, processing fees, and other charges.

In compliance with this RBI directive (Circular dated October 19, 2023) and our own Fair Practices Code, we have adopted this Interest Rate Policy.

This policy outlines our Interest Rate Model and our approach to risk gradation for our lending business.

Key Disclosures

As required by the RBI, we are making the following information public:

- The rates of interest we offer.
- Our approach for the gradation of risk (how we assess a borrower's risk).
- Our rates will always be presented as annualized rates when dealing with customers.

The Floating Reference Rate (FRR) we use as a benchmark is reviewed and decided periodically by our Asset & Liability Committee (ALCO).

Interest Rate Model

Floating Reference Rate (FRR)

The Floating Reference Rate (FRR) is our base rate for all loans with a floating interest rate.

The final interest rate you are charged will be set by applying a spread (an adjustment, which can be positive or negative) to the FRR.

The FRR itself is determined by our Asset & Liability Committee (ALCO) after taking into account the following factors:

- Cost of borrowing - Interest expenses on average Borrowings and Debt securities on an annualized basis.
- Credit cost - Estimated credit cost to the average loan book
- Liquidity Cost - Estimated negative carry-on surplus funds
- Margin - Margin is computed as the minimum return expected by the company on its assets to achieve RoE of 16%
- Operating expenses - Direct Operating expense cost allocable on the Disbursements for LAP product for the period on an annualized basis

Communication and Transparency

Intimation to Customers

- The annualized rate of interest will always be disclosed to the customer. When you receive your loan sanction, we will provide the interest rate, along with the full breakdown of how your Equated Monthly Installment (EMI) is apportioned between principal and interest.
- We offer loans with interest rates that are fixed, floating, or variable. We may also use a dual rate methodology, where one part of the loan term is fixed and the rest is variable.

Rate Changes

- All changes to the interest rate or other charges will only take effect prospectively (moving forward, not retroactively).
- For floating rate loans, the interest rate (and the underlying Floating Reference Rate, or FRR) is reviewed periodically.
- The methodology for calculating the FRR may be changed at any time with the approval of the Asset & Liability Committee (ALCO).
- Notice of any changes to terms and conditions (including interest rates, fees, or disbursement schedules) will be sent to borrowers in a vernacular language or a language they understand, as specified in the loan documents.

Public Disclosure

- This complete Interest Rate Policy will be made available on the Company website, and we will continually update the policy to reflect all relevant regulatory changes.

How Your Final Rate is Determined

- We use an Interest Rate Model where the rate you receive is tailored to you.
- Even for the same product and loan term, your rate may differ from another customer's. This is because your final interest rate is determined by considering a combination of several factors (such as risk gradation). This means the interest rate will be unique to you and your loan.
- To maintain transparency, the Company uses a product-wise pricing grid that clearly shows the minimum and maximum interest rates applied.

Product	Minimum ROI (%)	Maximum ROI (%)
Secured MSME Loans	12.50	26.00

- Differentiated Interest Rates - While we follow a consistent pricing model, the Company may sometimes offer a differentiated interest rate structure for specific products when required by business or strategic reasons.
This allows us to:
 1. Gain market penetration.
 2. Effectively counter competition.

Any such structure will be based on a defined policy framework and must be approved by the Board or Risk Management Committee (RMC).

Additionally, we offer different pricing based on the risk profile of the customer. For instance, rates may vary based on factors like a customer's Credit Bureau Score or their professional profile (e.g., salaried versus self-employed).

Interest Calculation and Changes

Calculation: Interest on your loan will be calculated daily based on your outstanding balance and will be charged on a monthly reset basis (or at another interval decided by the committee, in line with regulations).

Staggered Disbursements: If your loan amount is disbursed in separate installments over time (staggered disbursements), the interest rate applied is subject to review and may change based on the prevailing market rate at the time each installment is released.

Fees, Charges, and Penalties

Penalties and Service Fees

- The Company will levy penal charges for any late payments or defaults, in line with regulatory guidelines. Details of these charges will be clearly stated in your sanction letter and loan agreement.
- In addition to interest, the Company charges various service fees (e.g., processing, documentation, check bouncing, prepayment, and cash handling fees) as outlined in your loan documents. Applicable GST and other taxes will also be collected.

Determining Charges

- These charges and penalties may vary based on the loan product, customer segment, and location, generally reflecting the cost of rendering the service. We also consider competitor practices when setting these charges.

Interest Rate Adjustments

- The final interest rate is subject to change based on management's perceived risk for your loan, as well as changes in the benchmark rate, market volatility, or competitor review.
- Interest will be charged and recovered on a monthly, quarterly, or other approved basis, and no grace period is allowed for interest payments—it is due immediately.

Waivers and Refunds

- While the Company typically does not entertain claims for the refund or waiver of charges/penalties, it retains the absolute discretion to deal with such requests. However, as per RBI guidelines, we will not charge foreclosure or prepayment penalties on floating rate term loans.