121 FINANCE PRIVATE LIMITED

INTEREST RATE AND PENAL CHARGES POLICY

Approved by the Board of Directors on
5th January 2026

Compliance Department

INTRODUCTION

121 Finance Private Limited ("Company") is a Non-Banking Financial Company - Factor ("NBFC-Factor")

registered with the Reserve Bank of India ("RBI"). The Company is classified as a Base Layer NBFC and, as on the date of this Policy, has an asset size over Rs. 100 crores. The Reserve Bank of India (“RBI”), has directed the NBFCs to adopt appropriate interest rate model considering the guidelines under the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Keeping in view the RBI Guidelines, the Board of 121 Finance Private Limited has laid down the internal guiding principle and procedures in determining interest rates and penal charges. This policy should always be read in conjunction with RBI guidelines, directives, circulars, and instructions. This interest rate policy is also published on Company’s website (121finance.com)

This policy will be used to laydown principles and governance around determination of pricing of various products for different types of customer segments and to determine the approach of charging spreads to arrive at final rates which should be based on good business and market conduct including fairness and transparency.

1. INTEREST RATE MODEL

1.1 Interest Rate determination Methodology
The Asset Liability Committee (ALCO), after due consideration of various financial, risk-based, and operational factors, determines the interest rates to be charged to customers. The following key components are taken into account in this process:

i. Weighted Average Cost of Funds/Capital
The cost of raising funds from the market and servicing the equity capital is considered while arriving the weightage average cost of funds of the company.

The weighted average cost of the borrower funds as well as costs incidental to those borrowings, is arrived after taking into consideration the tenure of the loans, terms of repayment of the loans, moratorium period, bullet repayment, prevailing market liquidity and refinancing options.

ii. Internal and External costs of funds
The rate at which the funds necessary to provide the loan facilities to customers are sources, normally referred to as our external cost of funds.

iii. Operating Costs
Operating expenses include all fixed and variable costs required to run the business efficiently. It includes employee costs, Organizational level operational expenses, sales and marketing costs, technology and digital infrastructure expenses, costs related to sourcing, customer service, and recovery.

iv. Credit / Default Risk Premium
Based on risk gradation of customer, credit/ default risk premium is computation on a case to case basis. This will also cover the risk pertaining to nature and size of the transaction, switchover options, overall risk profile of the customer, customer creditworthiness and repayment capacity and industry specific risk factors.

v. Margin/ Expected Return on Assets
The company expects a ROA of 3-4% in the normal course of business which may vary from this range depending upon the exceptional business scenarios.

vi. Treasury Head view and Market Dynamics
Views of the treasury head and Board will also be taken to determine interest rates. On product pricing, prevailing interest rates offered by peer NBFCs for similar products. Services hall be taken into considerations

vii. Other factors Other Factors - Matching tenor cost, market liquidity, RBI Policies on credit flow, offerings by competition, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options will also be relevant factors in determining interest rate to be charged.

1.2 Approach for gradation of risks

Each customer/ prospective borrower represents a diverse risk profile based on their respective credit and default risk, CIBIL scores, repayment track records etc. A cost premium/discount is attached to overall interest rate on the loan for the customers based upon the gradation of risks.

The interest rate offered to the customer shall be arrived after considering the following factors:

· Profile and market information of the borrower
· Tenure of relationship with the borrower group
· Past repayment track record and historical performance of the customer
· Primary and additional income sources
· Overall customer yield, future potential & financial commitments of the customer
· Expected future Cash flows
· Nature of Business activity, its Profitability of the business
· Customer Goodwill
· Inherent nature of the product, type/ nature of facility
· Nature and value of primary and secondary collateral / security, if it's a secured loan
· Loan to Value ratio, if it's a secured loan
· Any other factors deemed fit during credit assessment.

The underwriting team shall be responsible for determining the interest rate applicable to customers as per the various parameters defined. In case of any deviation in the rates levied, approval in accordance with the defined delegation of authority matrix is obtained.

The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower through display of this policy on the website and link thereof in the application form and sanction letter.

2. REGULAR INTEREST RATE STRUCTURE

The rate of interest applicable to each customer is subject to change as the situation warrants

	The effective interest rates for the services offered will be within the given policy as approved by the Board
A	1. **Factoring** 2. **Reverse Factoring** **The Rates for various tenors will be within the given brackets:** 1.10%- 2.00% per month (30 days)* **In Factoring they are put up as discounting charges*
B	1. **Purchase Invoice Finance** 2. **Supply Chain Finance** 3. **Enterprise Business Loan** **The Rates for various tenors will be within the given brackets:** 1.10%- 2.00% per month (30 days)
C	1. **GeM Sahay** **The Rates for various tenors will be within the given brackets:** 12.00%- 21% per annum

and is subject to the necessary confirmation from the Credit/Risk committee on a case-to-case basis. The details of any such change will be communicated to customers adequately.

Changes in interest rates would be decided at any periodicity, depending upon change in benchmark rate, market volatility and competitor review.

3. PENAL CHARGES

Besides normal Interest, the Company may levy Penal Charges for any delay or default in making payments of any dues for such facilities or for non-compliance of material terms and conditions of loan contract by the borrower that the Company may provide to the Client. Details of Penal Charges will be communicated to customers adequately.

Penalty, if charged, 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 capitalization 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. Therefore, the Company may charge interest on unpaid interest at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.

Claims for refund or waiver of Penal Charge would normally not be entertained by the Company. It is the sole and absolute discretion of the Company to deal with such requests, if any.

The Company may hereafter levy Penal Charges, as applicable for the respective products, on the defaulted payments from the due date till the date of receipt, subject to the overall rate of Penal Charges not exceeding 36% p.a.. Penal charges may be based on product, buyer profile, tenure and other multiple parameters, since majority of our lending is transaction based, thus could vary from transaction to transaction, as there is no comparable EMI model.

4. REVIEW POLICY

As required by the Board of Directors or due to any change in applicable law, RBI directions, business model or other regulatory directions.