



Interest Rate Model

=> Preamble: -

The guidelines issued by the RBI vide its notification No. RBI/DOR/2025-26/362 DOR.MCS.REC.NO.281/01-01-039/2025-26 dated November 28, 2025 (Earlier Notification No. DNBS.204/CGM (ASR) -2009 dated 2nd January 2009 including all updates and modifications to the same from time to time) as well as other applicable guidelines from time to time, directs all NBFC to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loan and advances. 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 or customer in the application form and communicated explicitly in the sanction letter.

The RBI Directions also mandate to make available the rate of interest and the approach for gradation of risks on the website of the Company. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.

In compliance with the requirements mentioned above, the Company has put in place the internal guidelines, policies and procedures and a comprehensive interest rate policy.

=> Objective: -

Ardent Capital Private Limited ("ACPL") is into providing small-ticket loan to small business owners and self-employed individuals for their business, housing and other needs. The funds for such loans are borrowed from banks and other financial institutions for on lending to potential borrowers.

The object of the Policy is to standardize the methodology used to charge interest rate along with other charges, for different category of customers segment and to arrive at the final rates charged from the customers.

=> Interest Rate Model: -

An NBFC derives its incomes from the interest spread between the rate charged to its customers and the rate charged by its lenders. The operational and credit costs are deducted from this spread to arrive at the profitability of the NBFC.

The interest rate model used by Ardent capital Private limited determines the lending rate as the sum of the following components:

1. Cost of funds,
2. Risk premium depending on customer risk category
3. Operational expenses
4. Credit cost





5. Expected profitability
6. Market Practices

Each of these parameters shall be periodically monitored to arrive at the final interest rate to be charged to the borrower. The factors have been enumerated below.

1. **Cost of Funds:** -

- a. **Borrowing cost:** - The company borrows funds through term loans, non-convertible Debentures and commercial Paper and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for benchmark calculation.
- b. **Processing and Other fees:** - In addition to the borrowing rate, lenders also charge processing and other fees which would increase the cost of the transaction. In case of debt arrangers involved in the transaction, arranger fees would also have to be factored into the overall cost of the transaction. In a normal scenario, NBFCs would also have to plan for funding in advance so that they do not face any issue from a disbursement perspective. This would entail negative carry since the return on investments would be substantially lower than the cost that would need to be paid to the lenders.
- c. **Negative carry-on Investment:** - The negative carry on any cash collateral provided on the Securitization transactions also has a cost impact. All these would need to be factored into the pricing to be determined by the Company.
- d. **ALM Mismatch cost:** The company borrows funds through short term and long-term products and to comply with the guidelines it needs manage ALM Gaps under certain limits imposed by regulator. While taking prepayment into account the customer.

2. **Risk Premium:** - Base risk premium to cover business related risks.

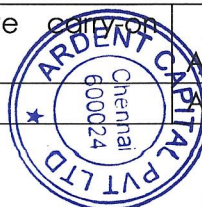
3. **Operational Expenses:** - Operational expenses include personnel expenses, branch related fixed and variable costs, operations costs, sales and marketing expenses, technology expenses, collections and recovery expenses, depreciation etc.

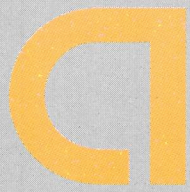
4. **Credit cost:** - Credit costs include Expected Credit Loss provisions and write offs. While the eventual credit losses would always be negligible given the secured nature of loans, there is a necessity to build a strong provision base given the slightly vulnerable nature of our borrowers. Such borrowers would go through skews in their cashflows, which may lead to higher credit costs (ECL provisions) than normal, which needs to be factored into the loan pricing.

5. **Expected Profitability (RoA):** - Expected Profitability or Return on assets is the minimum return expected by the company on its assets. This would need to be tailored towards giving an appropriate return to the shareholders as well.

Average Cost Range 24% to 30%, Base Rate 27%

Cost of funds (incl ALM, Negative carry on investments etc)	About 15%
Risk Premium for Normal loans	About 01%





Operational expenses	About 05%
Credit Cost	About 03%
Expected Profitability	About 03%
Total indicative pricing for normal loans	About 27%

Any permanent benefit accruing to the Company on the parameters given above shall be passed on to the borrowers from time to time in consonance with the decision of Management.

[the above percentage are the expected figures and actual figures might vary as per the loan product]

6. **Market Practices:** - The Company shall also undertake a periodic analysis of the interest rates charged by the other market players. Views of the Management on loan product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products / services shall be considered before any revisions to loan pricing is undertaken. Given the customer profile, the Company provides only fixed rate loans, which is easy from the perspective of customer understanding and communication.

=> Approach for Gradation of Risk: -

The rate of interest is arrived at through interest rate model which considers relevant factors as such as cost of funds, margin and risk premium. ACPL take a comprehensive approach to the gradation of risk that does not discriminate between classes of borrowers but rather tailors the interest rate to each loan.

The decision to give a loan and the rate of interest thereon are carefully assessed on a case-by-case basis on multiple factors which may include the borrower's cash flow history, credit card score, other financial commitments etc., as per the policy of the company.

=> Fees & Charges: -

In addition to the interest rate, other financial charges like processing fees, origination fees, cheque bouncing charges, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, cheque swap charges, security swap 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 and other cess would be collected at applicable rates from time to time. Any revision in these charges would be implemented with due communication to customers.

=> Communication Framework: -

Interest rate would be intimated to the customers at the time of sanction/ availing of the loan. Interest rate policy would be uploaded on the website of the company and any change in the rates and charges for existing customers would be uploaded on the website of the company.





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Changes in the rates and charges for existing customers would also be communicated to them through either of mail, letter.

=> Review: -

The Board or a committee, if any empowered by the board shall review the interest rates on annual basis and approve necessary revisions as per the business requirements.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

Policy Revision History:

No.	Particular	Approved by	Approval date
01	Adoption of Policy	Board of Director	18.02.2026

