

AVENDUS FINANCE PRIVATE LIMITED

Interest Rate Policy

Version	9.0
Version date	February 08, 2024
Owner	Compliance
Created by	Compliance
Contact point	Chief Compliance Officer
Approved by	Board of Directors
Confidentiality level	Published on website

Change History:

Date	Version	Created by	Approved by	Description of change
March 30, 2017	1.0	Compliance	Board of Director	–
November 28, 2017	2.0	Compliance	Board of Director	Amendment in Interest rate bracket
September 25, 2020	4.0	Compliance	Board of Directors	Amendment in Clause 4 – Policy on Demand /Call Loans
August 30, 2021	5.0	Compliance	Board of Director	–
August 10, 2022	6.0	Compliance	Board of Directors	–
February 6, 2023	7.0	Compliance	Board of Directors	Amendment in clause 2.2.5
December 21, 2023	8.0	Compliance	Board of Directors	Amendment relating to RBI Circular on Fair Lending Practice - Penal Charges in Loan Accounts
February 8, 2024	9.0	Compliance	Board of Directors	Reference of RBI Master Direction added in policy

SUMMARY OF POLICY

1. PREAMBLE

- 1.1. The Reserve Bank of India ("**RBI**") has issued the Master Circular – Fair Practices Code dated July 1, 2015 bearing reference number DNBS (PD) CC.No.054/03.10.119/2015-16 ("**Master Circular**"), which details guidelines on fair practices code to be adopted by all non-banking financial companies ("**NBFCs**") while doing lending business, which also includes provisions in relation to charging of interest rates by NBFCs. The RBI has further issued the Master Direction- Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation)Direction, 2023dated October 19, 2023 , which Master Direction, as amended from time to time is applicable to *inter alia* NBFCs – Base Layer(NBFCs-BL), NBFCs- Middle Layer(NBFC – ML) , NBFCs- Upper Layer (NBFCs- UL), NBFCs – Top Layer (NBFCs -TL)and which contains requirements on fair practices codes to be adopted by all such NBFCs.
- 1.2. The RBI, having received several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs, has by way of the Master Circular stipulated that though interest rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Accordingly, the Master Circular requires all NBFCs to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (with the approval of the board of directors of the NBFC), which contains the guidelines outlined in the Master Circular and the Master Direction. Accordingly, Avendus Finance Private Limited (the "**Company**") has put in place this interest rate policy ("**Interest Rate Policy**") to be followed by the Company in determining interest rates and processing and other charges in relation to its lending business. This Interest Rate Policy is intended to be representative of the Company's guiding philosophy in relation to dealing with customers in a transparent and open manner.

2. ESTABLISHING AN INTEREST RATE

- 2.1. The rate of interest to be charged for loans and advances will be in the range of 8% to 22% p.a., exceptions to be reported to the Board of Directors of the Company
- 2.2. The rate of interest shall be arrived at after taking into account relevant factors, such as cost of funds, margin and risk premium, including the following;
 - 2.2.1. Tenor of the Loan: The rate of interest charged will depend on the term of the loan;
 - 2.2.2. Internal and External Costs of Funds - The rate of interest charged will also be determined depending on the rate at which funds necessary to provide loan facilities to customers are sourced by the Company, normally referred to as internal cost of funds. From an external cost of funds perspective, the benchmark interest rate that may be used by the Company could be either the Marginal Cost of Lending Rate of the leading Scheduled Commercial Bank or the 10 year Government of India bond as adjusted for the rating spreads available in the markets.
 - 2.2.3. Internal Cost Loading - The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, the size of the transaction and other factors that affect the costs associated with a particular transaction will also be taken into account before arriving at the final rate of interest quoted to a customer.
 - 2.2.4. Credit Risk - As a matter of prudence, bad debt provision cost should also be factored into all transactions. This cost is then reflected in the final rate of interest quoted to a customer. The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer.

- 2.2.5. Fixed versus Floating – The applicable rate of interest would be either fixed (including IRR based lending), floating or variable and would commensurate with the requirements of the customers.
- 2.2.6. Periodicity of interest - Interest will be charged for the period as stipulated in the loan agreement, subject to any modifications thereto as may be agreed by and between the Company and the customer, in writing.

3. GENERAL

3.1. The following provisions shall apply to loans extended by the Company:

- 3.1.1. Changes in Terms – The Company shall give notice to the borrower in English language with an option to choose a vernacular language as understood by the borrower of any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. Further, any changes in the rate of interest shall be effected only prospectively and the loan agreement shall contain the necessary provisions in this regard. The same may be communicated through electronic media or any other form of communication by the Company.
- 3.1.2. No Grace Period - Interest will be payable by the customer / borrower on or before the due date stipulated therefor in the loan agreement entered into by the customer / borrower with the Company. No grace period will be allowed to the customer / borrower for payment of interest, unless the loan agreement expressly provides for the same.
- 3.1.3. Moratorium - The Company may consider necessary moratorium for payment of interest and repayment of principal amount with proper built-in pricing, on a case-to-case basis.
- 3.1.4. Additional Interest and other Charges - Besides the normal interest, the Company may levy additional interest in the form of penal charges for any delay or default in payment of dues by the customer / borrower or additional interest on other facilities etc. Such penalty shall be subject to RBI Circular No. RBI/2023-24/53DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, as amended from time to time, which is elaborated in clause 3.1.9 below. The Company may also levy other financial charges including processing fees, cheque bouncing charges, pre-payment / foreclosure charges, RTGS or such other remittance charges, commitment fees, charges for services like issuance of "no due certificate", security swap charges etc. The quantum of these additional rates of interest / financial charges will be determined by the respective functional / product heads of the Company and communicated to the customer in writing. While determining the quantum of these additional rates of interest / financial charges, market practices will be taken into consideration. Notwithstanding the foregoing, as a measure of customer protection, the Company shall not charge foreclosure charges / pre-payment penalties on all floating rate term loans sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- 3.1.5. Communication of Interest Rate to the Customer- The Company shall convey in writing to the borrower in English language with an option to choose a vernacular language as understood by the borrower, by means of a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and shall keep on record the acceptance of these terms and conditions by the borrower. The loan agreement/offer letter shall expressly stipulate the penal charges chargeable for late payment / repayment of dues by the borrower, in bold. The apportionment of the equated monthly installments ("EMI") amount towards the principal and interest will also be communicated by the Company to the customer / borrower by way of the repayment

schedule, wherever applicable.

- 3.1.6. Annualised Rates - The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.
- 3.1.7. Pre-Payment- Pre-payment options available to the customer and the penalty payable for exercise of such option shall be mutually agreed to on a case-to-case basis and communicated to the customer.
- 3.1.8. Penal/Default Charges: Penalty, if charged, shall be treated as 'penal charges/default charges'. There shall be no capitalisation of penal/default charges i.e., no further interest computed on such charges. These charges shall be over and above the rate of interest and will not affect the normal procedures for compounding of interest in the loan account. The quantum of penal/default charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category. The quantum and reason for penal/default charges shall be clearly disclosed by the Company to the borrowers in the loan agreement, financing documents and Key Fact Statement (KFS) as applicable.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to Borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal/default charges and the reason thereof shall also be communicated.

Penal/default charges for Structured Finance:

Sr. No.	Nature of non-compliance	Penal/Default charge
1.	Payment default	Upto 3.00% p.a. on the defaulted amount for the defaulted period
2.	Non-Payment Material Covenant Breaches	Upto 1% p.a. on the total outstanding amount for every such covenant breach with cap of upto 3% p.a. on overall covenant breaches

Penal/default charges for Loan Against Securities:

Sr. No.	Nature of non-compliance	Penal/Default charge
1.	Payment default	Upto 2.00% p.a. on the defaulted amount for the defaulted period

Any waiver to levy penal/default charges or any other form of charges shall be approved as per the matrix approved in the respective product policy.

Considering the nature of business of Borrowers and the credit profile, material non-compliances for which penal/default charges may be stipulated in financing documents and may vary from case to case basis, which shall be decided by respective business teams. Appropriate amendments shall be made in case of existing loans in the prescribed timeline.

Any deviation on the above thresholds under consortium or multi-lender loans shall be approved by the Credit Committee.

4. POLICY FOR ON DEMAND / CALL LOANS

- 4.1. On demand / call loans may be extended by the Company solely in accordance with the following policy for extension of on demand / call loans:

- 4.1.1. The cut-off date within which the repayment of demand or call loan shall be demanded or called up shall be the date of the demand or upto 1 year from date of disbursement whichever is earlier along with costs, fees, charges, levies, expenses, claims by the Company and outstanding amount along with the interest thereon.
- 4.1.2. The Credit Committee sanctioning such loan shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of one year from the date of sanction.
- 4.1.3. The rate of interest which shall be payable on such loans shall be 8% to 22% p.a.
- 4.1.4. Interest on such loans, as stipulated shall be payable either at [monthly or quarterly rests];
- 4.1.5. The Credit Committee sanctioning such loans shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period.
- 4.1.6. The cut-off date, for review of performance of the loan shall be Quarterly; and
- 4.1.7. No demand or call loans shall be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

5. COMPANY WEBSITE

- 5.1. This Interest Rate Policy, including the rate of interest and approach for gradation of risk, shall be made available on the Company's website, or in the alternate, published in the relevant newspapers. Such information published on the Company's website or otherwise published shall be updated whenever there is a change in the rates of interest.

6. AMENDMENTS TO THE INTEREST RATE POLICY

- 6.1. Amendments to this Interest Rate Policy will not be effective unless some amendments have been approved and authorised by the board of directors of the Company (or any committee of the board of directors of the Company duly authorised in this behalf).

The Company shall abide by this Interest Rate Policy following the spirit of the Interest Rate Policy and in the manner, it may be applicable to its business.