

Avanse Financial Services Limited (Avanse)
Interest Rate Policy

Regulatory Framework:

RBI circular DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and DNBS.CC.PD.No. 320/03.10.01/2012-13 dated February 18, 2013, advised NBFCS to:

- a. lay out appropriate principles and procedures so that usurious interest, including processing and other charges are not levied on loans and advances.
- b. fixing of an appropriate ceiling on the interest & processing fees.

Based on the guidelines and taking into account the Avanse customer segment, this Interest rate policy has been developed and documented as below.

Interest Rate Model:

The interest rate applicable to any particular kind of loan will be determined with reference to the following factors:

- The Asset Liability Management Committee of the Company will from time to time decide the interest and yield to be charged for each product.
- The rate of interest shall be determined based on the cost of borrowed funds, tenor of loan, liquidity conditions prevailing in the market, cost of operations including administrative costs, credit risk arising from the borrower or pool of borrowers and the minimum margin.
- The customer level credit risk premium as mentioned above shall be based on credit and default risk of the customer as assessed from profile & risk rating of customer, earning and repayment ability of the customer, nature and value of primary and collateral securities, repayment track record of the customers, external ratings of the customers, industry trends, Credit Bureau ratings amongst other factors.
- The rate of interests for the same product and tenor availed during the same period by different borrowers need not be standardized. It could vary from borrower to borrower depending upon consideration of any or combination of above factors.
- Besides normal interest, the company may levy additional/penal interest for delay or default in making payments of any dues. These additional or penal interests may vary for different products. The company shall mention the penal interest charged for late repayment in bold in the loan agreement.
- Interest rates ranging from 9% to 25% are offered subject to discretion of the Management on a case to case basis. Annualised rate of interest is applicable to the loans given by us and disclosed in our Loan documentation executed with the Customer.

Our Pricing Strategy:

- The rate of interest (ROI) charged to the customer is linked to the Base Rate of the company.
- ROI charged can be fixed rate or floating rate depending on the tenor / Product.
- Base Rate –This is the benchmark lending rate decided by the company taking into account factors like cost of funds, credit costs, operating costs etc. Changes in Base Rates would be made at the discretion of the company depending on the changes in cost of funds, operating costs, competition review etc.
- **Floating ROI = *Base Lending Rate + **Spread**

**Base Lending rate is determined and changed as per this Policy.*

***Spread is determined individually and is based on analysis overall credit and customer profiling.*

- The Company shall keep the ceiling of 25% p.a. on interest rates and 5% on processing fees and charges.
- The customer will be given a copy of the loan agreement which will carry details of all charges and Interest Rates. Any non refundable charges collected from the customer towards application processing will be recorded in the application form, which is signed by the customer.
- In addition, the customer will be able to get information on effective rate of interest charged, all fees and charges and the grievance redressal system from the Company's website "www.avanse.com". The same will be prominently displayed in all its offices and in the literature issued by it.

Approach for Gradation of Risk:

The risk premium will be decided on a case to case basis as decided by the Company. The approach for gradation of risk is based on factors such as nature of loan, credit worthiness of the borrower, nature of security, nature of the Product, borrower profile, repayment capacity, borrower's other financial commitments, past repayment, tenure of the loan, geography (location) of the borrower etc.

While deciding the interest rate and other charges, the rate offered by the Competitors in the market would also be taken into consideration.