



# **INTEREST RATE POLICY**

## **AVANSE GLOBAL FINANCE IFSC PRIVATE LIMITED (AGFIPL)**

**VERSION CONTROL**

<b>Version</b>	<b>Date of Adoption</b>	<b>Change reference</b>	<b>Owner</b>	<b>Approving Authority</b>
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## 1. Introduction

**Avanse Global Finance IFSC Private Limited (“the Company”)** is a company registered as a Finance Company under International Financial Services Centres Authority (Finance Company) Regulations, 2021. **The Company is engaged in the business of extending loans for higher education to students.**

## 2. Regulatory Framework

IFSCA, in its banking handbook, has laid down principles for IFSCA Banking Unit (IBU). One of the principles is disclosure and suitability for protecting clients’ interest, which states the below:

*An IBU must ensure that the due regard is given to protecting the interests of its clients and the relevant information is communicated to them in a clear and fair manner that minimises the possibility of them getting misled. An IBU must take reasonable care to ensure the suitability of its ‘advice’ and other discretionary decisions for the clients based on their financial standing, risk appetite and business goals.*

Based on the above principle and taking into account the Company’s customer segment, the Company has formulated this policy (“Interest rate policy”) as a prudent measure as there is no specific regulation/notification issued by IFSCA for Finance Company.

## 3. Interest Rate Model

The interest rate applicable to any particular 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 rate of interest 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 charges 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 charges for late

repayment in bold in the loan agreement, which shall also be updated on the website of the company from time to time.

- Interest rates ranging from 9% to 15% 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 Borrower.

#### **4. Our Pricing Strategy**

The rate of interest (ROI) on USD loans shall comprise of the following:

- Cost of Funds
- Liquidity cost
- Operating Cost
- Credit Cost and
- Base Return on Assets (ROA)

The above shall be the component of Benchmark rate.

Each component of Benchmark rate is explained below:

- Cost of Funds:** This is the interest expense incurred for borrowing from various sources of borrowings.
- Liquidity cost:** The liquidity cost charged to the borrowers represent cost in addition to the Cost of Funds. Liquidity cost is the difference between return on investments/ cash and the cost of funds on surplus liquidity maintained.
- Operating Cost:** All operating costs directly associated with the business will be included under this head.
- Credit Cost:** Risk premium to cover perceived default risks pertaining to loans.
- Base ROA:** Base Return on assets is the minimum return expected by the company on its assets.

**Changes in Benchmark Rate would be made at the discretion of the Company depending on the changes mainly in cost of funds.**

**This will also be dependent on competition review and liquidity conditions prevailing in the market.**

**Floating ROI = \*Benchmark Lending Rate + \*\*Spread**

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

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

#### **5. Ceiling of Interest rate and fees**

The Company shall keep the ceiling of 15% p.a. on interest rates and 5% on processing fees and charges.

#### **6. Loan documentation**

The borrower 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 borrower towards application processing will be recorded in the application form, which is signed by the borrower.

In addition, the borrower 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.avanseglobal.com](http://www.avanseglobal.com)". The same will be prominently displayed in all its offices and in the literature issued by it.

#### **7. Risk Delegation / delegation of powers in loan pricing**

The Company will be forming a separate deviation matrix for loan pricing which will be approved by the Board.