INTEREST RATE POLICY

VERSION CONTROL:

Version	Date of Adoption	Change Reference	Owner	Custodian	Approving Authority
1.0	16-Apr-2014	Adoption of the Interest Rate Policy	Relationship Team & Credit Team	Compliance Team	Board of Directors
1.1	22-Jun-2021	Updated the Interest Rate Policy with insertion of Interest Rate Model	Relationship Team, Credit Team & Finance Team	Compliance Team	Board of Directors
1.2	29-May-2023	Interest Rate Policy Reviewed and Updated w.r.t review period in the policy	Relationship Team, Credit Team & Finance Team	Compliance Team	Board of Directors
1.2	30-May-2024	Annual Review. No change	Relationship Team, Credit Team & Finance Team	Compliance Team	Board of Directors
1.3	12-Nov-2024	Disclosures of ROI and insertions in factors for establishing the ROI.	Relationship Team, Credit Team & Finance Team	Compliance Team	Board of Directors

***Disclaimer**:*

Interest Rate Policy

Preamble:

This Policy lays down the guidelines to the operational personnel and other decision makers (including the Credit Committee) of Ashv Finance Limited (hereinafter referred to as "**Ashv Finance**") while determining the rate of interest and other fees to be charged from a loan client.

This document is intended to present the policy of the company for dealing with customers/borrowers, in respect of determining the pricing for loans given by Ashv Finance, in a transparent and open manner. The approach is to evolve a standard for pricing of loans with a view to ensuring that pricing is fair and transparent. The policy would also to facilitate understanding of Ashv Finance's approach for fair and transparent pricing by employees at all levels, as well as by borrowers.

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 usual financial practice. This Interest Rate Policy is in compliance with the requirement of RBI to have a documented policy for interest rates being charged on loans disbursed by the company and ensures coverage under the Fair Practices Code circular issued by RBI.

Given that the business model of Ashv Finance focuses on providing credit only to customers meeting the credit standards of Ashv Finance for varying tenors, the interest rate applicable to each loan account, is assessed on a case-to-case basis, based on the evaluation of various factors, as detailed hereafter.

Establishing an Interest Rate:

The rate of interest of the Company's products are as follows:

Sr. No	Name of the Product	Ticket Size	Range of Annualized Rate of Interest*
1.	GST surrogate	Rs. 5 lacs-30 lacs	19% to 20%
2.	Banking Surrogate	Rs. 5 lacs-25 lacs	21% to 23%
3.	Solar Equipment BIL (Business Instalment Loans)	Rs. 2 lacs-1 Crore	13.5% to 14.5%
4.	BIL	Rs. 10 lacs-30 lacs	18% to 19%
5.	Small Ticket Secured Loans	Rs. 1 lacs-25 lacs	18% to 21%

The interest rate applicable (as mentioned above) to a particular loan will be determined by reference to a number of factors, including:

Sr. no.	Factors	Description
1.	**Tenor of the Loan**	The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest (viz. monthly, quarterly, yearly repayment); terms of repayment of principal; moratorium period, bullet payment etc
2.	**Internal and External Costs of Funds**	The rate of interest charged by Ashv Finance is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. This also includes the costs for raising funds such as processing fees, etc. Internal cost of funds being the expected return on equity issued; is also a relevant factor. The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction are taken into account before arriving at the final interest rate quoted to a customer.

3.	**Operating Cost & Margins**	Products offered by the Company are sourced by DSAs/Digital channels and collections are also undertaken through its team/collection agencies. Accordingly, the Company operates through a large number of employees on its role as well as collection agents with substantially increases the operating cost. The Operating cost of the Company includes, employee expenses, branch related fixed and variable costs, administrative expenses, depreciation, operations costs, sales and marketing expenses, etc.
4.	**Credit Risk**	Credit loss (risk) cost would be factored into all transactions. Base risk premium to cover potential credit loss risk, and may vary by business, customer segment, geography, sourcing channel etc. Prices may vary depending upon internal assessment of likelihood of delinquency or potential loss from customer.
5.	**Mark-up Considerations / ROA**	The Return on assets is the minimum return expected by the Company on its assets. The Company incurs other costs / overheads in conducting its operations through its branches located PAN India and mostly through its own employees/collection agencies. The Company has invested in technology to improve loan servicing to its customers. The teams are ably supported by technology and analytics for sourcing of business. The margins are calculated accordingly.
6.	**Asset Liability Committee's View & Market Dynamics**	Recommendations of the Asset Liability Management Committee (hereinafter referred to as the "ALCO") on product pricing with respect to changes in market benchmarks, prevailing interest rates offered by peer non-banking financial companies for similar products / services will be taken into consideration. The forecasts and analysis of 'what if scenarios' conducted by the ALCO are also relevant factors for determining interest rates to be charged.
7.	**Other Factors**	Matching tenor cost, market liquidity, refinance avenues, RBI Policies on credit flow, offerings by competition, market reputation, profile of the customers, stability in earnings and employment, subvention and subsidies available, deviations permitted, further business opportunities, group strength, overall customer yield, nature and value of primary and collateral securities, past repayment track record, external ratings, industry trends, switchover options, risk premium depending on customer risk category.

*Note:

1. The interest rate range is an indicative and the final rate is arrived basis the gradation of risk. Indicative interest rate as communicated above are subject to change at any point of time, subject to the sole discretion of the Company.

2. The pricing would inter-alia be based on due negotiation (where applicable) with the client and/or credit assessment parameters being followed by the Company.

3. Anything lower than the floor will require approval from the CEO or any delegated authority.

Procedural Aspects:

Ashv Finance shall communicate to its customers (borrowers), via a sanction letter, the following details.

a) The amount of loan sanctioned along with the terms and conditions including annualised rate of interest applicable to the loan,

b) Details of the default interest / penal interest rates up to (indicative…%) per month and other fees and charges payable by the customers in relation to their loan account and method of application thereof and

c) Terms and conditions and other caveats governing the loan to be given by Ashv Finance, arrived at after negotiation.

d) In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer as an addendum /additional annexure to relevant loan documents. However, all the relevant formalities pertaining to the same shall be documented and a copy of the same shall also be sent to the customer. The same may be communicated through electronic media or another form of communication by the employees of Ashv Finance. The acknowledgement of the receipt of the said additional document shall also be preserved on the records by Ashv Finance officials.

   All the above information shall be in writing / electronic media or any other form of communication by employees of Ashv Finance and shall be duly approved / accepted by the customer and certified by an authorised Official of Ashv Finance and would be documented in a chronological manner for future reference.

Interest Rate Models:

- Interest Rate Master will be reviewed and updated periodically basis Portfolio performance, Ashv AUM, Borrowal cost and other depending variables.
- To arrive at Rate of Interest, Ashv is moving towards Risk based pricing model, where we have successfully implemented Risk based pricing for Banking Surrogate product, for other products we are already working on score models, gradually all products will move to Risk based pricing
- Ashv Internal Score Models are created to assess 4 major risks of repayment ○ Probability of Default ○ Ability to Pay ○ Intent to Pay ○ Likelihood to Pay
- Risk Models are categorised in 3 categories broadly, cut off scores are mostly product specific ○ N – Negative segment ○ R – Amber segment ○ K – Good segment
- Each product score model / variables included are product specific and unique for that segment
- While we assess each product, and target market segment / borrowers, expected credit loss is also included in deriving final price point
- For New products, Risk based pricing will take time for which we arrive at pricing basis expert pricing model
- Cost of funds / borrowing, Cost of Processing, Expected loss / Risk premium are components in Pricing models.

Review:

This policy will be reviewed on an annual basis by the Management. If there is any change to the policy, then the Management will seek Board/Committee approval.

Website:

The Interest Rate Policy shall be made available on the Company's website.

Amendments:

Any changes or modification to this document can be signed off jointly by Board basis recommendation from the Asset Liability Management Committee.

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