



ABANS FINANCE PRIVATE LIMITED

INTEREST RATE POLICY AND
GRADATION OF RISKS

INDEX

Sr. No.	Topic
I.	Introduction
II.	Regulatory requirement
III.	Interest rate model
IV.	Approach for gradation risk
V.	Rate of Interest
VI.	Review

I. Introduction

Abans Finance Private Limited is a private limited company, having Corporate Identification Number (CIN) U51219MH1995PTC231627 (“AFPL”/“Company”). AFPL is a Middle Layer Non-Deposit taking Non-Banking Financial Company, bearing Registration no. B-13.02044, registered and regulated by the RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time and such other rules, regulations, directions, circulars, notifications and orders issued in this regard from time to time (“RBI Directions”).

II. Regulatory Requirement

Reserve Bank of India vide its notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on FPC for NBFCs DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013, consolidated in the RBI Master Directions No. Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, along with regulation no.45.11 of scale based regulation Master Direction – Reserve Bank of India (Non-Banking Financial Company–Scale Based Regulation) Directions, 2023, dated October 19, 2023 (updated as on March 21, 2024) have directed all NBFCs to make available the rates of interest and the approach for gradation of risks on the web-site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

III. Interest Rate Model

The Company is into lending business and provides loan facilities through loan products like term loans, Call/ Demand loan i.e. Revolving Facilities loan, and loans to individuals etc. to help client meet their working capital requirement and other purposes etc. The interest rate

applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as mentioned below:

- a. Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest (viz monthly/quarterly); terms of repayment of principal; bullet payment, EMI etc.
- b. Internal and External Costs of Funds - The rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c. Credit Risk - The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer. This cost is then reflected in the final rate of interest quoted to a customer.
- d. Market Dynamics Views: The Views of the Management of the Company on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products services may be taken into consideration. The forecasts and analysis of 'what if scenarios' conducted by the Management are also relevant factors for determining interest rates to be charged.

IV. Approach for Gradation risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- i. Profile and market reputation of the borrower;
- ii. Historical performance of similar homogenous pools of borrowers;
- iii. Profile, strength, experience, income/earnings of the borrower;
- iv. Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
- v. Type of asset being financed, end use of the loan represented by the underlying asset;
- vi. Nature and value of primary and secondary collateral security;
- vii. Overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
- viii. RBI Policies on credit flow;
- ix. Offerings by competitors;
- x. External ratings etc.
- xi. And any other factors that may be relevant in a particular case.

V. Rate of Interest

1. The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Thus, it is decided that Annualized Rate of Interest of the loans and advances shall be between 9% to 18% p.a. to be charged for the entire tenure.
2. The Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower in the sanction letter along with the installments towards interest and principal dues.
3. Besides normal Interest, the Company may levy additional interest for ad-hoc facilities, penal interest/default interest for any delay or default in making payments of any dues. The details of Penal Interest charges for late repayment will be mentioned in the loan agreement and communicated while sanctioning the loan.
4. Besides interest, other financial charges like processing charges, cheque dishonor charges, pre-payment/foreclosure charges, part disbursement charges, cash collection charges, bank charges, charges on various other services like issuing NOC, field visit for collection follow up, Foreclosure Value Statement Charges, Foreclosure charges, Duplicated Repayment Schedule etc. may be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes levied would be collected at applicable rates from time to time.

VI. Review

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation / information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.