

Interest Rate Policy

1 Introduction

Auxilo Finserve Private Limited (“the Company”) is a Non-Banking Financial Company (NBFC) committed to providing customized financial solutions in the education sector. This Interest Rate Policy outlines the principles and procedures for determining interest rates for the loans offered to varied customer segments in alignment with the Company’s mission, associated risks and customer-centric approach and Regulatory Framework.

The policy adheres to the Reserve Bank of India (RBI) guidelines, including:

- RBI/DoR/2023-24/105 DoR.F1N.REC.No,45/03.10.119/2023-24 dated October 19, 2023: *Master Direction Reserve Bank of India (Non-Banking Financial Company—Scale Based Regulation) Directions, 2023*, and updated guidelines from time to time.
- RBI circularRBI/2024-25/30 DoS.CO.PPG.SEC.1/11.01.005/2024-25 dated April 29, 2024 *Fair Practices Code for Lenders – Charging of Interest*.
- *Fair Lending Practice - Penal Charges in Loan Accounts* - DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023.
- RBI’s provisions on interest rate reset, penal charges, and customer communication.

2 Objective

- To establish a transparent and risk oriented framework for determining interest rates.
- To ensure compliance with regulatory requirements while achieving sustainable business growth.
- To align with the market dynamics and competitive scenarios.

3 Rate of Interest

The Company may offer fixed and floating rate loans to its customers based on the type of loan product. The rate of interest offered to the customer may vary for various customers based on the loan product offered and, associated risks involved.

Fixed Rate Loans

For fixed rate loans Auxilo Benchmark Lending Rate (ABLR) may be used for reference but the loans shall not be linked to subsequent ABLR changes in the future. The rate of interest (ROI) offered to the customer at the time of origination of loan shall remain fixed for the full tenure of the loan or for the tenure specified in the sanction and loan documentation.

Floating rate loans

The floating rate loans shall be linked to the ABLR. The effective ROI applicable to the customer shall constitute of ABLR and Spread.

3.1 Computation of Auxilo Benchmarking Rate (ABLR)

The Company shall use external and internal micro and macro economic parameters, competitive scenario, market dynamics and, operating costs to determine the benchmark rate. The benchmark rate shall be called *Auxilo Benchmark Lending Rate “ABLR”* and shall be used for pricing of all loans advanced by the company. The floating rate loans shall be linked to “ABLR.”

The following factors shall be used to determine the ABLR:

1. Cost of Borrowings: This includes the interest rate of borrowings, processing fees and associated costs related to the loan. Cost of all borrowings, including term loans, debentures, and other sources to be considered to determine ABLR.
2. Cost of Equity: The expected return on equity, based on market scenario, company's growth prospects equity to be considered to determine the benchmark rate.
3. Market volatility and Market dynamics: Market dynamics like repo rate, interest rate scenarios, MCLR of various banks, liquidity in the market, regulatory framework to be considered to determine ABLR.
4. Operating Costs: Operating costs of the company along with credit costs to be considered for determining the ABLR related to loan processing, administration, and collection.
5. Regulatory Requirements: The cost of regulatory capital required to be maintained shall be considered for determining ABLR.
6. Risk premium: The risk premium (considering market dynamics) as envisaged with the product to be considered for the calculation of the ABLR.

The Benchmark rate is determined as below:

Parameter	Rate
Cost of borrowing (i)	A%
Cost of equity (ii)	B%
Market Volatility and Market Dynamics(iii)	C%
Operating expenses (including credit costs) (iv)	D%
Regulatory requirements (v)	E%
Risk Premium(vi)	F%
ABLR: Final Benchmark rate	(i+ii+iii+iv+v+vi)

The ABLR shall be reviewed by the Asset Liability Management Committee (ALCO) committee periodically. Any increase decrease in ABLR may be decided based on the above factors. The ALCO committee shall be empowered to fix a different ABLR than as calculated above considering market dynamics and decide on the applicability of these changes to various classes of borrowers.

3.2 Computation of Spread

The spread on a specific loan shall be derived considering multiple factors, which may include, borrowers' profile, credit and repayment history, loan ticket size, repayment option chosen, collateral security, loan tenure, associated risks and competitive market landscape to ensure a balanced risk-based pricing. In addition, for education loan to students, their past and future academics and their future earning potential may be considered. The rate of interest for the same product and tenor availed during same period may vary for different customers depending upon consideration of all or combination of above factors. The company may review the spreads being charged to customers at appropriate intervals and may change the spreads being charged considering the performance and conduct of the account.

4 Other Charges

Besides interest, other financial charges such as one time processing fee, cheque/NACH bouncing charges, cheque/NACH swap charges, interest rate reset charges, etc. as applicable would be charged by the Company wherever considered necessary as detailed in the 'Service Charges & Fees' on the Auxilo website.

Any revision in charges would be updated on Auxilo website and would be levied prospectively to the customers as applicable.

5 Penal Charges and Loan Documentation

5.1 Penal Charges:

- Penal charges shall be applicable for non-compliance with loan terms.
- Penal fees /charges will be clearly communicated to borrowers and will not be included in the capitalized loan amount, ensuring transparency and compliance with fair practices.
- No interest shall be charged on Penal fees/charges.

6 Interest Rate Reset and Switching Options

6.1 Rate Reset Provisions:

The ABLR reset period for floating rate loans would be decided the ALCO committee. Interest rates will be reset as per the company policy in line with the extant RBI guidelines..

6.2 Switching Options:

Borrowers shall be given an option of switching from floating to fixed interest rates as per the company policy in line with the extant RBI guidelines, as detailed in the 'Conversion of Floating to Fixed Rate of Interest' note available on the Auxilo website, ensuring greater flexibility.

7 Policy Review

This policy will undergo an annual review or updates as necessitated by regulatory changes or market dynamics, with revisions approved by the Board of Directors based on recommendations from the ALCO committee.

Annexure – I: Product wise Interest Rate Range

Loan Type	Range of Interest Rate
Education Loan	9.5% to 24.0%
Education Institution Loans	11.0% to 24.0%

Note: Above are the indicative ranges of rate of interest offered for specific loan products. However, the final risk pricing shall be determined by the relevant loan sanctioning authority.