

**ASEEM INFRASTRUCTURE FINANCE LIMITED (AIFL or COMPANY)**

**INTEREST RATE POLICY ('POLICY')**

**Reviewing & Approving Authority**

<b>Authority</b>	<b>Designation</b>
Prepared By	Chief Business Officer, Head Treasury
Reviewed By	Chief Executive Officer, Chief Financial Officer
Recommended By	ALCO
Approved By	Board of Directors
Date of approval	November 13, 2024

**Version History**

<b>Version</b>	<b>Issue Date</b>	<b>Brief Description</b>
V.1	July 22, 2020	New Policy Adopted
V.2	August 26, 2021	Annual Review with no further changes
V.3	November 09, 2022	Annual Review with changes
V.4	November 08, 2023	Annual Review with no further changes
V.5	November 13, 2024	Introduction of Credit Cost and Market Factors as factors for determining AIFL Lending Rate (ALR)

## **ASEEM INFRASTRUCTURE FINANCE LIMITED (AIFL) - Interest Rate Policy**

### **A. PREAMBLE**

As per RBI guidelines, the Boards of all NBFCs have been advised to lay out appropriate internal principles and procedures in determining interest rates and related charges and post it on their website.

The Interest Rate Policy (the 'Policy') covers the methodology for determination of interest rate for 'Advances' (loans/ debentures). This will enable their customers to understand the logic and methodology used for determining the lending rates charged to them.

The Policy will be reviewed at least once a year or on a more frequent basis as deemed necessary. The methodology for determining interest rates is given below.

### **B. PRINCIPLE FOR DETERMINING INTEREST RATES FOR BORROWERS**

The interest rate charged to borrowers shall comprise of a benchmark rate plus/minus a spread that is dependent on the risk premium of the particular loan, profile of the sponsor, project's credit strengths, tenor, competitive intensity and market conditions prevailing at the time of sanction.

AIFL can offer either fixed or floating interest rate. The interest rate could also be subject to resets, both Spread and benchmark, from time to time. AIFL may offer interest rate linked to its own Lending Rate (ALR) or any other agreed Benchmark. AIFL may choose to adopt its benchmark rate or an external benchmark like the lead lender's benchmark rate, any other scheduled commercial bank's benchmark rate, T Bills, G sec, AAA corporate bond yields etc. across tenors.

For example-

In a consortium loan, AIFL may offer interest rate which is linked to the benchmark interest rate of the lead bank / external benchmark like T Bills, G Sec, any other scheduled commercial bank benchmark rate etc. The interest shall be payable at a pre- agreed frequency that could be monthly / quarterly / half-yearly or annually. AIFL can further structure the interest payments based on the project cashflows and / or market requirements. These structured payments could inter-alia be in the form of step-up coupon / accrued interest structures.

AIFL Lending Rate (ALR)

AIFL has floating rate benchmark, ALR, which is used as benchmark for pricing the floating rate Advances. AIFL can also use external benchmarks for pricing the Advances from time to time. The aforesaid benchmark is calculated based on following factors:

Sr. No.	Factor	Description
1	Weighted Average incremental cost of borrowing	The Company borrows funds through Term Loans, Non-Convertible Debentures and other avenues etc. from the lenders and investors. Weighted average incremental cost of borrowing of such funds is taken for benchmark calculation
2	Cost of Equity	AIFL needs to put an equity portion to run the business and the cost of such equity based on return expectations at a point in time is taken into consideration.
3	Operating cost	All operating costs associated with providing the loan product including cost of raising funds, employee expenses, other operating costs shall be included under this head.
4	Negative Carry on Cash Balances	The Company keeps a liquidity buffer in the form of investments to manage liquidity risk and has to bear negative carry on those investments. This cost is included in this head.
5	Credit Cost	Credit Cost reflects the financial impact of credit risk associated with the provision for loan assets or bad debts.
6	Market Factors	Expected Cost in relation to Systemic Liquidity position, RBI Policy stance, Global policy stance, rate movement of major lenders, regulatory and policy level changes or any other market conditions/factors.
7.	Tenor Premium	Since ALR will be a tenor linked benchmark, AIFL arrives at the ALR of various maturities by incorporating the corresponding tenor premium/ discount.

Weighted avg. incremental cost of borrowing (A)	xx%
Cost of Equity (B)	xx%
Operating cost (C)	xx%
Negative carry on Cash Balances (D)	xx%
Credit Costs	xx%
Market Factors	xx%
Tenor premium (E)	xx%
<b>Benchmark rate {Sum (A to H) }</b>	<b>(xx...%)</b>

Fixed rate loans are not linked to benchmark but are decided based on their cost of funds, operational expenditure, Business related risks and desired ROE/ROA, liquidity of such loans, market conditions prevalent/expected in near future.

## **Principles and procedures for charging spreads to calculate final rate**

AIFL has adopted an internal credit rating framework. As per the framework, AIFL shall assign a rating score to all its debt assistance which considers various factors like the strength of the promoters and past track record, the financial robustness of the project, security offered, various risks associated with the project like, market risk, operating risk and regulatory risk among others.

The rate of interest for loans for various business segments is arrived at after adjusting for spread for the relevant business segment. Factors considered for calculating spreads are as follows:

- Interest rate risk (fixed vs floating loan)
- Credit and default risk in the related business segment
- Historical performance of similar homogeneous clients
- Profile of the borrower
- Industry segment
- Repayment track record of the borrower
- Nature and value of collateral security
- Secured Vs unsecured loan
- Ticket size of loan
- Tenure of Loan
- Customer Indebtedness (other existing loans)
- Competition for the asset/projects of the sponsor
- Money market conditions
- Strategic/business priorities of AIFL

The rate of interest for the same product and tenor availed during same period by different customers need not be the same. It could vary for different customers depending upon consideration of all or a combination of above factors.

AIFL is in the wholesale financing segment and all its borrowers are knowledgeable and sophisticated corporates. AIFL does not have retail borrowers as clients. As all AIFL clients are corporates including large international institutional groups aware of the financing markets, there are deal specific negotiations by them with AIFL and other financiers that they deal with. Consequently, each deal, though with some similarity in rating and other factors, could still have a distinct and different negotiated pricing.

AIFL reserves the right to charge higher Spreads on a case-to-case basis due to non-compliance of covenants and/or unforeseen, exceptional, or extraordinary changes in the financial market conditions, as per its sanction terms.

### **Other Charges**

Besides interest, various fees including but not limited to Upfront / Processing / Structuring / Underwriting fees / Advisory, late payment charges, re-scheduling charges, pre-payment / foreclosure charges, part disbursement charges, security swap charges, charges for issue of

statement account etc., would be levied by the company wherever considered necessary, in accordance with the loan documents. Besides these charges, stamp duty, service tax/ GST and other cess would be collected at applicable rates from time to time. Any revision in these charges would be implemented on a prospective basis with due communication to customers. These charges would be decided upon by the respective business heads in consultation with Finance, Compliance and Legal Heads.

### **Communication Framework**

AIFL will communicate the effective rate of interest to customers at the time of sanction / availing of the loan through acceptable modes of communication.

Changes in the rates and charges for existing customers would also be communicated to them through various modes of communication such as website updation, email, letters, SMS, etc.