

Avanti Microfinance Private Limited

Co-lending Policy

This Policy was:

Version	Drafted by	Reviewed by	Board approval date
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1. Introduction

Avanti Microfinance Private Limited (hereinafter referred to as '**the Company**') has amended and updated the Co-lending Policy (hereafter referred to as "**Co-Lending Policy**" or "**the Policy**") in accordance with the Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 ("**RBI Directions, 2025**") issued vide notification RBI/2025-26/139 DOR.STR.REC.44/13.07.010/2025-26 dated August 6, 2025. This Policy is in continuation and supersedes, to the extent applicable the earlier co-lending policy framed pursuant to the RBI notification for the Co-Lending model - *RBI/2020-21/63, FIDD.CO.Plan.BC.No.8/04. 09.01 /2020-21* dated November 05, 2020 ("**CLM**").

The Company, pursuant to approval of its board of directors, has resolved to adopt and implement the RBI Directions, 2025 with effect from 1st January 2026, and this Policy has accordingly been formulated in alignment therewith.

2. Objectives of the Policy

This Policy covers the general principles and practices to be followed by the Company when entering into co-lending arrangements with partner institutions. The Policy will be applicable to all the categories of products and services offered by the Company under the co-lending model and apply to related operations such as customer sourcing, loan processing, loan servicing and collection activities.

3. Co-Lending Arrangement Modes

The *ex-ante* Master Agreement entered into with partner institutions ("**Partner Re**") for implementing the co lending arrangement ("**CLA**") shall involve joint funding of a portfolio of loans by Company and the partner institution in a pre-agreed proportion, involving revenue and risk sharing. The respective shares of the Company and Partner RE shall be recorded in their respective books within 15 (fifteen) calendar days from the date of disbursement of the loan under the CLA

4. Roles & Responsibilities

(i) Origination / Loan Sanction:

Company may act as 'originating RE' or 'partner RE', as may be determined on a case-to-case basis with the Partner RE. The CLA shall entail an irrevocable commitment on the part of the originating RE, whether the Company or the Partner RE, to take into its books, on a back-to-back basis, its share of the individual loans. The loan agreement executed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities of the Company and Partner RE, and shall clearly identify the entity that is the single point of interface with the customer.

The respective shares of the Company and Partner RE shall be reflected in the books of both entities without delay after disbursement by the originating RE to the borrower, and in any case not later than fifteen (15) calendar days from the date of disbursement, failing which the loan exposure may only be transferred to a third party or to the Company or Partner RE, as the case may be, only in accordance with in accordance with the Master Directions – Transfer of Loan Exposure, 2021 (MD-TLE).

(ii) Interest Rate:

The interest rate and any other fees/charges on the underlying loans shall be determined by the Company and Partner RE in accordance with the contractual agreement, subject to applicable regulatory norms.

The final interest rate charged to the borrower shall be the blended interest rate, calculated as the weighted average of the interest rates charged by the Company and the Partner RE, weighted by their respective funding share under the CLA.

The Company and the co-lending partner would have the flexibility to price their part of the exposure in a manner found fit as per their respective risk appetite / assessment of the borrower and the RBI regulations issued from time to time.

Any change in the interest rate by the Company shall be made as per its credit policy and applicable regulatory norms and the same shall be updated in the blended interest rate and communicated to the borrower.

Company shall provide all information such as loan details including interest rate and other charges, details of risk sharing arrangement, etc., as and when called for by the RBI.

(iii) Know Your Customer (KYC):

The Company and the Partner RE shall adhere to all applicable KYC / AML guidelines, as prescribed in the Master Directions - Know Your Customer (KYC) Direction, 2016, issued vide *RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16* dated February 25, 2016 and updated from time to time. In the event Company is acting as partner RE, Company may rely upon the originating RE for "Customer Identification Process" as per the provisions of the said Master Directions on KYC.

(iv) Borrower Agreement

The borrower loan agreement shall clearly contain the features of the arrangement and segregation of the roles and responsibilities of Company and the Partner RE including clear identification of the entity being the single point of interface with the customer. All the details of the arrangement shall be disclosed to the customers upfront and their explicit consent shall be taken.

(v) Common Account

The Company and its Partner RE shall open an escrow type common account for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float. All transactions between the co-lending partners relating to the co-lending shall be routed through this escrow account.

The Company and Partner RE shall maintain their share of the individual borrower's accounts but should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information between the two entities.

(vi) Customer Communication & Grievance Redressal

Either Company or Partner RE may act as the single point of interface with the borrower for a loan under CLA, depending on the case-to-case basis. The loan agreement executed with the borrower shall make an upfront disclosure regarding the segregation of the roles and responsibilities of the co-lending entities. Any subsequent change in the designated customer interface shall be made only after prior intimation to the borrower.

The designated entity will be responsible for providing the required customer service and grievance redressal in line with the customer grievance redressal policy approved by the Board of the Company. The loan agreement shall also appropriately disclose suitable provisions related to customer protection and the grievance redressal mechanism.

Any complaint registered by a borrower with the Company and/or Partner RE, shall also be shared with the Partner RE/ Company and in case, the complaint is not resolved within 30 (thirty) days, the borrower would have the option to escalate the same with concerned Banking Ombudsman / Ombudsman for the Company or the Customer Education and Protection Cell (CEPC) in RBI as laid out in the Fair Practices Code adopted by the Company.

(vii) Asset Classification Norms

The Company and Partner RE shall apply a borrower-level asset classification for its exposure to a borrower under CLA. If either the Company or the Partner RE, as the case may be, classifies its respective share of loan exposure to a borrower under CLA as SMA/NPA on account of default in the loan exposure, the same classification shall be applicable to the respective share of the Partner RE or the Company respectively, to the borrower under CLA.

(viii) Reporting to CICs

Company shall adhere and carry out reporting requirements including reporting to Credit Information Companies for its share of loan account, under respectively applicable law and regulations.

(ix) Outsourcing of services

The Company will adhere to extant guidelines on outsourcing of financial services and the Outsourcing Policy approved by the Board. The outsourcing policy may be accessed at: <https://www.avantifinance.in/policies#co-lending-policy>.

(x) Other policies & guidelines

Company will ensure that it adheres to the regulations prescribed by the RBI/any other relevant regulatory body. Subject to the relevant Master Agreement, Company's policies shall continue to apply on loans disbursed under the co-lending arrangement.

(xi) Other Operational Aspects

- a) The Company shall retain a minimum of 10 % (ten percent) share of the individual loans in its books.
- b) Any fees/ charges payable by the borrower in addition to the blended interest

- rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the Key Facts Statements
- c) The co-lenders shall establish a framework for monitoring and recovery of the loan, as mutually agreed upon.
 - d) The co-lenders shall arrange for creation of security and charge as per mutually agreeable terms.
 - e) The loans under the CLA shall be included in the scope of internal/statutory audit within the Partner RE to ensure adherence to their respective internal guidelines, terms of the agreement and extant regulatory requirement.
 - f) Any assignment of a loan by a co-lender to a third party can be done only with the consent of the other lender in accordance with the Master Directions – Transfer of Loan Exposure, 2021 (MD-TLE).
 - g) The co-lenders shall have business continuity plans to ensure uninterrupted service till repayment of loan.
 - h) The Company shall disclose on its website, a list of all Partner REs of the Company.
 - i) The Company shall make appropriate disclosures in its financial statements under 'Notes to Accounts', relating to necessary details of its CLAs on an aggregate basis.

5. Policy Review and Updates

The implementation of this Policy shall be monitored and reviewed periodically by the Board of the Company.

This Policy comes into effect from date of Board Approval.