

Avanti Finance Private Limited

Terms of Reference – Credit Committee

This document was:

Version	Drafted by	Reviewed by	Committee approval date	Board approval and adoption date
Version 1	Mr. Nagaraj Subrahmanya, CRO	Mr. Rahul Gupta, CEO	-	September 30, 2022
Version 2	Mr. Nagaraj Subrahmanya, CRO	Mr. Rahul Gupta, CEO	-	March 13, 2023
Version 3	Mr. Nagaraj Subrahmanya, CRO	Mr. Rahul Gupta, CEO	-	April 29, 2024
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PURPOSE:

The purpose of the Credit Committee is to assist the Board of Directors and Senior Management Team in fulfilling its responsibilities by providing oversight of Company policies and management activities relating to the identification, assessment, measurement, monitoring, and management of the Company's credit risk.

The Avanti Credit Committee (**CC**) shall have all the Senior Management Team (SMT) being part of the same. This consists of Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief of Partnerships (COP) and Chief Product Officer (CPO). The CC may invite other members of the Avanti team or advisers by invitation.

All partner onboarding and disbursements (including credit policy & pricing changes) will have to be approved by the CC. In addition to the above, only material events/programs shall be tabled to the CC. Other policy matters may also be tabled by any functional leader on items such as liquidity, capital allocation, significant investments, partner updates, external risks, data security etc. In some matters, the CC may also be used for circulations and noting purpose only as a functional leader may have brought an item to resolution via prior discussions.

The CC will evaluate proposed material changes to Avanti's risk profile or risk appetite arising from planned new or increased business and/or the risks associated with entry into relationships, programs and/or geographical areas

Portfolio management:

The CC, with a minimum quorum of 4 members, CRO mandatory, will review the company's portfolio quality, discuss key issues and propose any remedial actions where required in a monthly CC Meeting for Portfolio Quality Review (PQR).

This review will cover

- i) Portfolio Trends
- ii) Delinquency Trends & Collections efficiency
- iii) Customer account management
- iv) Policy matters relating to
 - Delinquency and aging of accounts on system
 - Provisioning and Write-offs
 - Forbearance and restructuring
- v) Operating Risk e.g concentration risk, partner issues etc
- vi) Fraud incidents
- vii) Industry trends
- viii) Any other items / policies which have an impact on the financials of the company based on portfolio credit quality

New Product Introduction (NPI) and product changes

All NPI's for customers or changes to the product structures (including credit policy & pricing changes) will need approval from the CC.

Besides the CC, any new product would mandatorily require the approval of the Chief Compliance Officer.

QUORUM:

The quorum for the CC will be a minimum of three out of the five members being present with CRO's presence being mandatory. All members will try and be present for the meeting. The CRO shall chair the meeting. Any matter shall be deemed passed subject to the majority of the members being in favour of the motion. In the event that there being a tie, the chair shall have the deciding vote.

The Company Secretary shall be the secretary for the meeting and shall be the custodian of the proceedings of the meeting.

Delegation of Approvals Matrix

Sanctions

The operating principle of the delegation of approvals from an execution standpoint would be to have 80%+ of all credit decisions being managed between Partnerships, Operations and Risk. In line with the operating principle, the following is the approval matrix:

A) FPO/Institutional Loans:

i) New Entities:

- Upto INR 2Cr - CRO plus 1 SMT (maker, checker)
- INR 2 – 10 Cr – CRO, 1 SMT and CEO
- Above INR 10 Cr - CRO, 1 SMT, CEO & 1 Board Member

ii) Renewals:

- Upto INR 5Cr - CRO + 1 SMT member.
- INR 5 – 20Cr – CRO, 1 SMT and CEO
- Above INR 20Cr - CRO, 1 SMT and CEO + 1 Board Member

As a matter of good principle and leadership visibility, all **new** FPO/Institutional onboarding should be tabled at Leadership meeting or via written circulation prior to disbursement

B) Retail Loans:

All members of the SMT have the delegation to approve all retail loans.

In case of delegations to be provided to additional personnel, the CRO + 1 SMT may authorise the same. This should be after careful consideration and taking into account the knowledge & training of the candidate

Sr. No	Designation	Limits	Mode of Operation
1	Member of the Credit Committee of Executives (CCE)*	New entities: Up to INR 25 Lacs And > 12% annualized rate (All Retail transactions) Renewals: Up to INR 50 Lacs And > 12% annualized rate (All Retail transactions)	Severally
2	Member of the Credit Committee of Executives (CCE)*	New entities: INR 25L – INR 10Cr Renewals: INR 50 Lacs – 25 Cr (incremental sanction)	CRO + 1 member of CCE
3	CEO and any one member of the Credit Committee of Executives*	New entities: INR 10 crores to INR 25 crores Renewals: INR 25 Cr - 50Cr (incremental sanction)	CRO & 1 member of CCE + CEO
4	CEO and any one Director	New Entities: Above INR 25 crores Renewals: Above INR 50Cr (incremental sanction)	Jointly

Note: Not more than 2 approvals in a year for any partner by the same committee. If more than 2 approvals, then approval will be required by the next higher approval authority

Partner Exposure / Reviews:

Max AUM limit by partner: 250 Cr

Detailed review with RMC of all partners with exposure > 100 Cr on a quarterly basis

Max AUM concentration by partner: 15%

Max AUM concentration by state: 20%

WriteOffs

Sr. No	Designation	Limits	Mode of Operation
1	Member of the Credit Committee of Executives (CCE)*	Above INR 25 Lacs to INR 2 crores	CRO + 1 member of CCE
2	CEO and any one member of the Credit Committee of Executives*	Above INR 2 crores to INR 5 crores	CRO & 1 member of CCE + CEO
3	CEO and any one Director	Above INR 5 crores	Jointly

Fraud

Sr. No	Designation	Limits	Mode of Operation
1	CEO and any one member of the Credit Committee of Executives*	Upto INR 2 crores	CRO & 1 member of CCE + CEO
2	CEO and any one Director	Above INR 2 crores	Jointly

The Committee shall review and assess the adequacy of this Charter bi-annually. The Committee may recommend amendments to this Charter based on internal or external requirements, at any time with documentation of the reasons.

This TOR comes into effect immediately on the above date of approval.