

ART Venture Finance (India) Private Limited

Interest Rate Policy

Version 1.0 | Effective Date: 1st July 2026 | NBFC-ICC (Non-Deposit Taking, B2B)

Prepared By	Secretarial Department
Reviewed By	[Name / Role]
Recommended By	Chief Investment Officer
Approved By	Board of Directors

Version History:

Version	Date	Description	Next Review Date
1.0	01.07.2026	First Version — B2B NBFC-ICC covering alternative lending, equity, and convertible instruments	Annually or upon regulatory change

Disclaimer:

This document is the property of ART Venture Finance (India) Private Limited and is intended for internal use by its employees, officers, directors, and authorised representatives. It shall be published on AVF's website in accordance with RBI requirements and made available to any counterparty or regulatory authority upon request.

1. Background

This Interest Rate Policy is intended to reflect ART Venture Finance (India) Private Limited's ("AVF" or "the Company") guiding philosophy of dealing with all counterparties in a transparent, fair, and open manner. While the Reserve Bank of India does not prescribe specific interest rates for NBFCs, it has clarified through its Fair Practices Code guidelines that rates beyond a reasonable level and not commensurate with the risks undertaken may be considered excessive and inconsistent with sound financial practice.

In accordance with the RBI guidelines on Fair Practices Code for NBFCs and the applicable Master Directions governing NBFC-ICCs, AVF has formulated this Interest Rate Policy, approved by its Board of Directors, which sets out the internal principles and procedures governing the determination of interest rates and fees across all of AVF's financial products.

AVF is a non-deposit taking NBFC-ICC operating exclusively on a B2B basis. It provides three categories of financial products: alternative lending facilities (working capital loans, term loans, and project finance), convertible instruments for bridge financing, and equity and growth equity investments. This Policy covers the pricing principles applicable to all three categories.

2. Interest Rates and Fees — Alternative Lending

2.1 Rate Determination

For all alternative lending facilities extended by AVF — including working capital loans, term loans, and project finance — the applicable interest rate shall be determined on a case-specific basis, taking into account the industry benchmark and the specific risk profile of each transaction. AVF does not publish a fixed rate band; rates are

negotiated and disclosed transparently in the term sheet and loan agreement before any commitment is made by the counterparty.

The rate of interest shall be arrived at after evaluating the following factors:

- (a) Industry Benchmark:** The prevailing market rate for comparable alternative lending or venture debt transactions in India shall serve as the primary reference point. Benchmarks may include reference rates of leading commercial banks, spreads over G-Secs or commercial papers, or published venture debt market data, as applicable.
- (b) Cost of Funds:** The interest rate shall reflect the cost at which AVF sources the capital deployed in the facility, including equity capital, borrowings, and any other funding instruments.
- (c) Risk Profile of the Counterparty:** The credit strength of the borrower, including the complexity and size of the transaction, the stability of the business model, management quality, and historical financial performance, shall be factored into the rate.
- (d) Creditworthiness and Credit Bureau Assessment:** Where applicable and with the prior consent of the counterparty, credit bureau data (CIBIL and others) shall be reviewed as part of credit risk assessment and factored into the rate.
- (e) Underlying Asset Value:** Where the facility is secured or supported by underlying assets — including technology infrastructure, receivables, or proprietary IP — the quality and realisable value of those assets shall be considered.
- (f) Cash Flow Quality:** The predictability, seasonality, and sustainability of the borrower's cash flows shall be assessed and factored into the rate, given that AVF's lending is cash-flow-based rather than collateral-based.
- (g) Loan Amount and Tenure:** Larger facilities and longer tenures may attract different rate considerations, reflecting the differential risk exposure over time.
- (h) Fixed vs. Floating Rate:** The applicable rate shall be determined as either fixed or floating, depending on the nature of the transaction and the counterparty's requirements. For floating rate facilities, the benchmark rate and the basis for periodic reset shall be clearly specified in the loan agreement.
- (i) Periodicity of Interest:** Interest shall be charged for the period as stipulated in the loan agreement, subject to any modifications agreed in writing between AVF and the counterparty.
- (j) Internal Cost Loading:** Reasonable internal costs of doing business — including origination, monitoring, and compliance costs attributable to the specific transaction — shall be reflected in the rate.

2.2 Processing Fee and Other Charges

A processing fee at the industry standard rate for comparable alternative lending transactions shall be applied to all debt facilities extended by AVF. This fee shall be charged at the time of disbursement and is non-refundable once the appraisal process has commenced, regardless of whether the facility is ultimately drawn down.

Additional fees and charges applicable to lending facilities, which shall be disclosed at the time of sanction in the term sheet and loan agreement, include:

- Documentation charges — covering legal drafting, stamp duty, and registration costs where applicable
- Commitment fee — where a facility is sanctioned but not drawn within the agreed period, a commitment fee may be charged on the undrawn amount
- Monitoring fee — where AVF provides ongoing covenant monitoring, reporting support, or board advisory services as part of the facility, a monitoring fee may be agreed
- Penal interest on default — the rate of penal interest chargeable for late payment or default shall be stated prominently in bold in the loan agreement, expressed as a percentage per annum above the contracted rate

- Foreclosure and prepayment charges — applicable where a borrower repays the facility ahead of the agreed schedule, as specified in the loan agreement. Such charges shall be levied only in accordance with the agreement and applicable RBI regulations

All fees and charges are subject to applicable taxes, including Goods and Services Tax (GST), at prevailing rates.

2.3 Prohibition on Excessive Rates

AVF shall not charge interest rates or fees that are excessive, exploitative, or not commensurate with the risk and return profile of the transaction. The Board shall review the rate framework annually to ensure rates remain within a reasonable range relative to market benchmarks and consistent with the principles of the RBI Fair Practices Code.

3. Pricing — Convertible Instruments (Bridge Financing)

Convertible instruments — including convertible notes and Optionally Convertible Debentures (OCDs) — used by AVF for bridge financing carry an implicit return structure that is different from conventional interest-bearing debt. The economics of convertible instruments shall be determined on a transaction-specific basis and disclosed fully in the term sheet and definitive transaction documents before any commitment is made by the counterparty.

The key pricing components of convertible instruments are:

- Conversion discount: The percentage discount to the share price of the next qualifying equity round at which AVF's convertible instrument will convert into equity. This discount compensates AVF for the risk of providing capital ahead of the equity round and is agreed at the time of issuance.
- Valuation cap: Where applicable, a maximum pre-money valuation cap may be agreed for conversion purposes, protecting AVF's return in the event of a high-valuation next round. The cap, if applicable, shall be specified in the term sheet.
- Accrued interest rate: Where the convertible instrument carries an interest rate that accrues during the tenure and is either added to the conversion amount or repaid in cash if conversion does not occur, this rate shall be stated in the term sheet and instrument agreement.
- Repayment terms: If the qualifying conversion event does not occur within the agreed timeframe, the instrument shall be repaid at principal plus accrued interest (or converted at agreed fallback terms), as specified in the agreement.

No processing fee shall be charged on convertible instruments unless specifically agreed with the counterparty and disclosed in the term sheet. Documentation and legal costs may be shared between the parties as agreed. All pricing on convertible instruments is subject to applicable taxes including GST.

4. Pricing — Equity and Growth Equity Investments

Equity and growth equity investments carry no fixed interest rate or fee. AVF's return from equity investments is realised through capital appreciation over the investment horizon and exit proceeds, and is entirely dependent on the performance of the investee company.

The economics of equity investments — including the proposed pre-money valuation, the size and structure of AVF's equity stake, governance rights, anti-dilution provisions, and exit mechanisms — shall be set out in full in the term sheet and the definitive shareholders' agreement or investment agreement before any commitment is made by the counterparty.

No interest or processing fee is charged on equity investments. Legal and documentation costs may be shared between the parties as agreed and disclosed in the term sheet. All transaction costs are subject to applicable taxes including GST at prevailing rates.

5. Pricing Summary

The following table summarises AVF's pricing framework across its three financial instruments:

Instrument	Interest / Return	Fees	Basis
Alternative Lending (WC / Term / Project Finance)	Industry benchmark rate, fixed or floating, per risk assessment	Processing fee at industry standard rate + documentation + penal interest on default	Disclosed in term sheet and loan agreement
Convertible Instruments (Bridge Financing)	Implicit return via conversion discount or accrued interest if not converted	Documentation charges; no processing fee unless specifically agreed	Disclosed in term sheet and convertible note / OCD agreement
Equity and Growth Equity	Return via capital appreciation and exit — no fixed interest	No fees on equity; legal and documentation costs shared as agreed	Disclosed in term sheet and shareholders' agreement

Specific rates, fees, and terms applicable to each transaction are disclosed in the term sheet issued to the counterparty prior to any commitment. No counterparty is required to commit to any transaction without first receiving and acknowledging the full pricing terms in writing.

6. Procedural Aspects

6.1 Communication of Rates and Terms

AVF shall communicate the following to each counterparty in writing — through the term sheet, sanction letter, or transaction agreement — before disbursement or investment:

- (a)** The applicable interest rate or return structure (annualised rate for lending; conversion terms for convertibles; equity economics for equity investments).
- (b)** All fees and charges applicable to the transaction, including processing fees, documentation charges, penal interest rates, and foreclosure charges, expressed as a percentage per annum or as a fixed amount as the case may be. Penal interest rates shall be stated prominently in bold in the loan agreement.
- (c)** The terms and conditions, covenants, and any other provisions governing the credit or investment relationship, arrived at after negotiation.
- (d)** In the event of any proposed change to the interest rate, fees, or terms of an existing transaction, AVF shall communicate the change to the counterparty in advance by way of an addendum or additional annexure to the agreement. All required formalities — including counterparty acknowledgement and legal documentation — shall be completed and preserved on record. Changes to interest rates and fees shall be applied only prospectively.
- (e)** Foreclosure and prepayment charges shall be applied in line with the provisions of the loan agreement and applicable RBI regulations. Current RBI regulations do not permit foreclosure charges on floating-rate loans to individual borrowers; however, as AVF lends exclusively to B2B counterparties, this restriction does not apply to AVF's lending book.

6.2 Website Disclosure

In accordance with RBI directions, AVF shall publish its Interest Rate Policy on its website at www.artventurefinance.in. The Policy shall be accessible to all counterparties and members of the public. The effective date and version number of the published Policy shall be clearly stated.

6.3 Record Keeping

All term sheets, sanction letters, loan agreements, and transaction documents communicating pricing terms shall be retained on record by AVF for a minimum of 8 years from the date of closure of the transaction, consistent with PMLA record-keeping requirements and RBI directions.

7. Amendments to This Policy

Amendments to this Interest Rate Policy shall not be effective unless approved and authorised by the Board of Directors of AVF — or by a committee of the Board duly authorised for this purpose — by formal resolution. The amended Policy shall be recorded in the version history, republished on AVF's website, and communicated to all relevant internal stakeholders.

The Board shall review this Policy at least annually. Any material changes in RBI regulations, market conditions, or AVF's cost of funds that affect the pricing framework shall be considered at the next Board meeting following such change, with recommendations presented by the Chief Investment Officer.

Declaration

This Interest Rate Policy has been approved by the Board of Directors of ART Venture Finance (India) Private Limited. AVF shall determine and apply interest rates and fees in accordance with the principles set out in this Policy, in a manner that is transparent, fair, and consistent with the spirit of the RBI Fair Practices Code.

Authorised Signatory	[Name / Designation]
Date of Board Approval	[Date]
Place	Gurugram, Haryana

This document should be reviewed by qualified legal counsel before publication. It does not constitute legal advice.