


# PRAYAAN CAPITAL

## INTEREST RATES AND GRADATION OF RISKS POLICY

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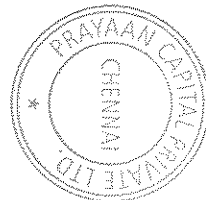
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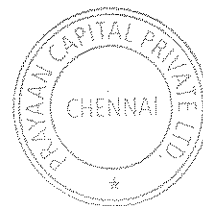
Approved By: G. Madhan Mohan

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## I. PREAMBLE

- 1.1 Prayaan Capital Private Limited (“**Company**”) is a non-banking finance company (“**NBFC**”) categorized as a non-deposit taking and non-systemically important NBFC engaged in the business of providing loans and certain other financial services.
- 1.2 With an aim to have good governance practices in line with the Reserve Bank of India (“**RBI**”)- (a) ‘Master Direction- Non-Banking Financial Company- Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016’; (b) Guidelines on ‘Regulation of excessive interest charged by NBFC’ issued vide its notification No DNBS. 204/CGM (ASR) – 2009 dated January 2, 2009 and; (c) Circular on ‘Fair Practices Code’ dated July 1, 2015 (“**RBI Guidelines**”), the board of directors of the Company (“**Board**”) has adopted this Interest Rate and Gradation of Risks Policy (the “**Policy**”) to outline its internal policy and interest rate model for its lending.

## II. APPLICABILITY

- 2.1 This Policy is applicable to all customers and persons seeking to obtain loans (the “**Customer**”) from the Company and the Company may amend this Policy from time to time, at the sole discretion of and with the approval of the Board, subject to the RBI Guidelines and prevailing conditions.
- 2.2 This Policy and the RBI Guidelines shall be adhered by the Company, while determining interest rate and other charges, and changes thereof, for its Customers.

## III. INTEREST RATE MODEL

- 3.1 The interest rate charged to the Customers for each loan account is assessed on a case by case basis, upon evaluation of the following factors, which shall be taken into consideration in evaluating such interest rates:
- i. Tenure of loan and payment terms - The term of the loan and the terms of payment of interest.
  - ii. The costs of funds, margin and risk premium - The cost of sourcing the funds for providing loans to Customers (external cost of fund) and the expected return on equity (internal cost of funds), the margin and risk premium.
  - iii. Internal cost loading - Factors such as the costs of doing business, the complexity of the transaction, capital risk involved, size of the transaction, location of the Customer.
  - iv. Credit risk - The risk of credit loss cost and the Company’s internal assessment of the credit worthiness of a Customer.
  - v. Structuring premium - In the event that there is a significant structuring element regarding the collateral or other aspects of transaction structure, the Company may apply a premium to the loan.
  - vi. Market Dynamics - The prevailing interest rates offered by other NBFCs for similar products / services as offered by the Company shall be taken into consideration in assessing chargeable interest rates. The forecasts and analysis of “what if” scenarios are also relevant factors for determining interest rates to be charged.

- 3.2 Other relevant factors such as matching tenure cost, market liquidity, relevant RBI Guidelines and any other directions by the RBI, stability of Customers' earnings and employment history, subvention and subsidies available, deviations permitted, further business opportunities, external ratings, industry trends, switchover options among other factors may also be considered by the Company in determining the interest rate to be charged upon its Customers.

#### IV. APPROACH FOR GRADATION OF RISK (AGR)

- 4.1 The factors which are considered in assessing a Customer's risk premium and rationale for charging different rate of interest to different categories of Customers are assessed based on the following:
- i. The profile and market reputation of the Customer;
  - ii. The inherent nature of the product, type / nature of facility, loan to value of asset financed;
  - iii. History and duration of relationship with the Customer, past repayment track record and historical performance of similar clients;
  - iv. Nature and value of primary and secondary collateral / security;
  - v. Type of asset being financed, end use of the loan represented by the underlying asset;
  - vi. Interest, default risk in related customer segment;
  - vii. The relevant RBI guidelines and other applicable laws; and
  - viii. Any other factors that may be relevant for the gradation of risks on a case by case basis.
- 4.2 The Company reserves the right to determine which of the approaches to the gradation of risks (AGR) it adopts for each of its Customers and undertakes to abide by stipulations in this Policy in reaching decisions on applicable interest rates and penalty interest/ default interest/additional interest ("**Other Interest**").

#### V. COMPUTATION AND CHARGING OF INTEREST

- 5.1 The rate of interest and other charges shall be annualized and computed every day, on the basis of the daily average outstanding balance, and there being 365 (three hundred and sixty five) days in a year and 366 (three hundred and sixty six) days in a leap year.
- 5.2 The Company may also impose certain Other Interest at such terms, rate and periodicity, as specified under the loan agreement and other related documents executed with its Customers ("**Transaction Documents**") (without notice or demand) on the occurrence of any default/event of default under the Transaction Documents, including but not limited to delay or failure of the Customer to pay any amount on the due date as provided in the Transaction Documents and/or to create and perfect security in terms of the Transaction Documents, and which Other Interest shall be mentioned in **bold** in the Transaction Documents and communicated in the sanction letter.
- 5.3 The Company shall intimate to the Customer, the loan amount, rate of interest, Other Interest and [the method of application thereof] at the time of sanction of the loan along with the tenure and amount of monthly installments [and shall keep the acceptance of these terms and conditions by the Customer on its record].
- 5.4 The indicative range of the rate of interest charged by the Company is **22% to 32% Per Annum** depending upon the product, loan amount and tenure opted by the Customer.



5.5 The rate of interest stipulated in the Transaction Documents may be subject to revision and may be reset, depending on the change in the borrowing rate of the Company or depending on the directives of RBI from time to time. The Company shall be entitled to change the rate of interest, additional interest and/or the periodicity of charging interest etc. as mentioned in the sanction letter issued to its Customers or the Transaction Documents executed with them, at any time by giving a notice to the Customer or in the local newspaper or on the Company's website and the Company shall thereafter be entitled to charge interest at the changed rate / rests.

5.6 The rate of interest, Other Interest for the same product and tenure availed during same period to different Customers may differ depending on the result of an application of the conditions listed in this Policy.

#### **VI. PROCESSING FEES / OTHER CHARGES**

6.1 Nothing in this Policy shall be deemed to deprive the Company of its right to make necessary charges on a Customer as may arise from the said Customer's loan account. Such charges may include but are not limited to processing fees, bounced back cheques, debit fee, loan termination fees, field collection charges, cancellation charges, pre-payment charges etc.

#### **VII. ADDITIONAL INTEREST RATE / CHARGES**

7.1 Besides the annualized interest, the Company may levy Other Interest including additional/penalty/default interest for ad hoc facilities, for any delay or default in making payments of any dues as agreed between the Customer and the Company in the loan agreement.

7.2 The Company shall however not charge any foreclosure charges/ pre-payment penalties on any floating rate term loans sanctioned to individual Customers.

7.3 The Customer may also be required to reimburse or pay to the Company at applicable rates, such amount as may have been paid or payable by the Company to the central or state government on account of any tax levied on interest (and/or other charges) on the loan by the central or state government and to make such reimbursement or payment as and when called upon to do so by the Company.

#### **VIII. POLICY DISPLAY AND AVAILABILITY**

Appropriate disclosure regarding this Policy including any changes hereto shall be made on the website of the Company ([www.prayaancapital.com](http://www.prayaancapital.com)).

#### **IX. REVIEW AND REVISION**

Any revision or modification to this Policy and in the applicable interest rates shall be subject to the review and approval by the Board of the Company.