

Interest Rate Policy

1. Introduction

Praveen Capital Private Limited (hereinafter referred as “the Company” or “PCPL”) a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide registration no. B-02.00258 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Non Systemically Important (‘ICC-ND-NSI’).

2. Purpose

The Reserve Bank of India (“RBI”) vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 (“Master Directions”) has advised that the Board of Directors of Non-Banking Finance Companies (“NBFCs”) shall lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. In this regard, RBI further requires NBFCs to adopt an appropriate interest rate model considering relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest.

With a view to institute fair and transparent dealings in the lending business, Praveen Capital Private Limited (“Company”) has adopted and put in place the following Interest Rate Policy (‘Policy’) parallel to the Company’s Fair Practice Code, in accordance with the Master Directions, as amended and updated from time to time.

The Policy has been formulated with the objective of ensuring that interest rates are determined in a manner as to ensure long-term sustainability of business by considering the interests of all stakeholders.

The Board / Risk Management Committee or any committee delegated by the Board of Directors of the Company will be guided by this Policy while deciding interest rates, penal charges, pre-payment charges (if any), processing charges etc. of the Company. Such committee will determine the pricing range for different customer segment/products within in overall range as approved by the Board.

The interest rates to be charged for different segments and customers will be decided by the business teams to be consistent with the range of rates approved by the Committee. The business teams will take into account relevant factors, including the risk of the applicant defaulting on the loan, prevalent market conditions, competition, inputs from CRO, if any, and ability of the target customer base to service such interest while determining the rate to be charged within the overall range as approved by the Committee/ Board.

3. Purpose

The objective of framing this policy is to ensure that interest rates charged to the customers do not exceed beyond a certain level and which are not conforming to normal financial practice. This policy is formulated to also ensure transparency, in conformity with the stipulations of the Reserve Bank of India's ["RBI"] directives.

4. Interest Rate Model

The Company charges a fixed interest rate for its loan products. The determination of the fixed interest rate shall be based on various factors discussed in this Policy.

The interest rates offered to customers will be determined using a risk-based methodology applicable to all its products. The rates of interest will be influenced by, but not limited to, the following primary and additional factors:

- Cost of funds to the company which represents the average cost of raising debt funds through various external sources
- Risk Profile of the borrower based on an appropriate creditworthiness & credit risk rating after taking into consideration customer relationship, expected losses etc.
- Interest rate prevailing in the industry
- Customer profile which includes their credit history, educational qualifications, market reputation, business profile, financial profile, business model, group strength etc.
- Securities offered and the type and risks attached thereto
- Duration of loan repayment schedule
- Historical Performance of Similar Clients
- Geographic Location including local delinquency rates and regional economic conditions.
- The category of the borrowers
- The earning source of the borrower
- The nature of income and the regularity of income of the borrower
- The company may, in exceptional scenarios, at its discretion, offer interest rates to match competition offers to retain good quality customers.

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

5. Processing and Other Charges

5.1 Processing fees ranging between 0% to 3% – Processing fees in this range may vary depending upon tenor, loan amount, sourcing category and other factors.

5.2 NACH bouncing charges: Upto Rs. 750 per bounce

5.3 Penal Charges – The Company shall levy upto 3% per Month as a penal charges / Penal Interest for any delay or default in payments on the Default Amount. The penal charge shall be reviewed periodically by the Company and approved by the Board.

Penal charges will be reasonable, non-discriminatory within product categories, and communicated to borrowers in case of non-compliance. Specific clauses attracting penal charges will be mentioned in the loan agreement /Welcome Letter. There will be no capitalization of penal charges, and all regulatory guidelines will be adhered to.

5.4 Pre-payment / foreclosure charges, – Upto 5% on the Balance / Principal Outstanding.

5.4 Document Charges – Upto Rs.2000 Depending on the Loan Amount.

In addition to these charges, stamp duty, GST, and other cess, if any, will be collected at applicable rates from time to time, as communicated in the documentation provided. Details of all these charges will be mentioned in the loan agreement and the sanction letter.

Such charges shall be reviewed from time to time based on market practices. The Company's loan documents shall mention all applicable processing, documentation, and other charges. These charges shall be part of the Loan Agreement and will also be displayed on the Company's website. No interest is payable on credit balance in borrower's account.

Any revision in these charges will have a prospective effect and will be communicated to the borrower. While determining the charges, market practices and industry standards will also be taken into consideration.

6. Disclosure and Transparency

The Company strictly adhere to Fair Practice Code and other applicable regulations and ensures that its policies and practices align with regulatory expectations and are designed to ensure transparency, fairness and full disclosure to customers: In this regard, the Company ensures proper disclosure of the Rate of Interest, Fees, and Charges will be expressly stated in the Loan agreement or the Sanction Letter and the Key Fact Statement.

The Company will provide information on the Rate of Interest, common fees, and charges through an acceptable mode of communication. Amortisation Schedule With EMI Date, EMI Amount, Principal- Interest Break up will be Communicated to the Customers.

The Company will communicate the annualized Rate of Interest to all its borrowers so that its borrowers are aware of the exact rates that will be charged to the respective loan facility. The interest will be charged on actual date of disbursement to the Customer and not from the loan sanction or agreement signing to ensure that fairness and meet regulatory requirements.

The interest will be computed on a daily basis and charged on periodicity as specified in the loan agreement at the rate as stated in the agreement.

7. Administration, Amendment and Review of the Policy

The Board of the Company shall be responsible for the administration, interpretation, application, and review of this Policy. The Board shall also be responsible for bringing about necessary changes to this Policy, if so required at any stage, at its own discretion or with concurrence.

This Policy may be altered or revised as per changes in the market scenario and/or statutory guidelines. The Policy shall be reviewed at least once a year or as and when there are any amendments in the applicable guidelines.