

Interest Rate Policy of Pradakshana

Background

Pradakshana Fintech Private Limited is a Private Limited Company incorporated under Companies Act, 2013 on Jan 20, 1995 vide CIN: U15676MH1995PTC289611 and registered with Reserve Bank of India as a Non-Systemically Important Non- Deposit Accepting Non-Banking Finance Company.

Regulatory Framework

RBI circular number DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013, has advised NBFCs to lay out appropriate principles and procedures so that usurious interest, including processing and other charges are not levied on loans and advances. The circular also prescribes fixing of an appropriate ceiling on the interest & processing fees.

Based on the guidelines and taking into account the customer segment served by Pradakshana, the Interest rate policy of has been developed and documented as below.

Our Interest Rate Policy

The RBI have directed that the Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances.

After taking all the relevant factors into account, the position in respect of the expenditure parameters is worked out as under:

- a) Average Cost of Funds : 17.0% P.A.
- b) Risk Premium : 4% (Given the nature of unsecured loans, Long term loan loss is assumed to be 4% Maximum).
- c) Cost of Operations : 15%

Aggregate Expenditure factors: 36%

The income side factors have been worked out as under:

- a) Average Interest levied on the loans - 22% flat working out to 38 % on an annualized basis based on the tenure of the loan.
- b) Loan processing fee - 3%. Since it is being collected up front for the full tenure of the loan, the effective rate is worked out to be 1.5% per annum. (with the average tenure of loans will be 24 months)

Aggregate of income factors – 49.5%.

Spread - 3%

The present spread is considered rather narrow. However, with increased business turn over and rationalization of costs, this spread is likely to improve in due course.

Over a period of time we are endeavoring to reduce the cost of operations. The interest rate structure will be revisited at that time for a possible reduction and ultimately pass on the benefit to customers.

We are communicating the indicate the rate of interest on an annualized basis to the borrowers so that they are aware of the exact rates that would be charged to the account.