

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 has been developed for each product separately.

Our Interest Rate Policy

The Company is committed to charge fair interest rates that are determined based upon cost of borrowing, operating cost and risk premium while also taking into consideration of industry standard, local competition and financial sustainability of the organization. The Company's interest rates are set at various levels and calculated differently for each product. Staff is instructed to make the best effort to explain interest rate fully to clients.

After taking all the relevant factors into account, the position in respect of the expenditure parameters is worked out as under and based on below factors interest rate for MEL (ST) is determined:

- | | | |
|--------------------------|---|--|
| a) Average Cost of Funds | : | 17% to 18% P.A. |
| b) Risk Premium | : | 7% (Given the nature of unsecured loans, new to credit/low credit/credit only towards gold/agri profile borrowers, Long term loan loss is assumed to be 7% Maximum). |
| c) Cost of Operations | : | 12%-14% (due to door-step service and rural and Interior area of operations] |

Aggregate Expenditure factors: 36% to 39%

The income side factors have been worked out as under:

Average Interest levied on the loans - 24% flat working out to 40 % on an annualized basis based on the tenure of the loan.

Aggregate of income factors – 43.5%.
Spread – 5%-7 %

We understand that interest rate charged onto the first time customer is considered rather high. However, with repeat customers who could complete two cycles by establishing good credit history with us are being offered at lower annualized interest rate 32% giving them a benefit of almost 10% effective reduction.

It is to be noted that other player who are serving similar segment of customers like Sriram Cityunion, Bharatpe and some of the other digital lenders are also charging similar interest rates to these borrowers considering the risk element.

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