

# Interest Rate Policy

## PRABHAT FINANCE PRIVATE LIMITED

VERSION	NAME OF POLICY/DOCUMENT	DATE OF APPROVAL / REVIEW
1.0	Interest Rate Policy	June 2024

## Table of Contents

1. Introduction .....	3
2. Regulatory requirement .....	3
3. Interest rate model.....	3
4. Approach for Gradation risk.....	4
5. Rate of Interest.....	4
6. Content on the website .....	5
7. Review.....	5

## 1. Introduction

Prabhat Finance Private Limited (hereinafter referred as “the Company” or “PFPL”) a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide **Certificate of Registration No. B-10.00343** dated June 11, 2023 under NBFC Base Layer – RBI (NBFC – Scale Based Regulation) Directions, 2023.

It is focused on offering financing of MSME SECURED, Loan against property, and Personal Loan.

## 2. Regulatory requirement

The Reserve Bank of India (RBI) vide its Notification No. DNBS. 204 I CGM (ASR)-2009 dated 2 January 2009 and vide its Guidelines on Fair Practices Code for NBFCs, as amended from time to time (RBI Regulations), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web site of the companies.

In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company's approach of risk gradation in this regard for its lending business.

## 3. Interest rate model

Prabhat Finance Private Limited focuses on providing wide range of loan facilitates to its customers i.e. all kind of MSME SECURED, Loan against property, and Personal Loan etc. The interest rate applicable to each loan account, within the applicable range is assessed on a case specific basis, based on evaluation of various factors as mentioned below:

- a) Tenor of the Loan & Payment Terms - term of the loan; terms of payment of interest (viz monthly); terms of repayment of principal; bullet payment, etc.
- b) Internal and External Costs of Funds - the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as our external cost of funds. Internal cost of funds being the expected return on equity; is also a relevant factor.
- c) Credit Risk - The amount of bad debt provision applicable to a particular transaction will depend on the credit strength of the customer. This cost is then reflected in the final rate of interest quoted to a customer.
- d) Market Dynamics Views: Views of the Management of the Company on product pricing with respect to prevailing interest rates offered by peer NBFCs for similar products services shall be taken into consideration. The forecasts and analysis of 'what if scenarios' conducted by the Management are also relevant factors for determining interest rates to be charged.

#### **4. Approach for Gradation risk**

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- i. profile and market reputation of the borrower;
- ii. Historical performance of similar homogenous pools of borrowers;
- iii. Profile, strength, experience, income/earnings of the borrower;
- iv. Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
- v. Type of asset being financed, end use of the loan represented by the underlying asset;
- vi. nature and value of primary and secondary collateral *I* security;
- vii. overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
- viii. RBI Policies on credit flow;
- ix. Offerings by competitors;
- x. External ratings etc.
- xi. And any other factors that may be relevant in a particular case.

#### **5. Rate of Interest**

- a) The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Thus, it is decided that Annualized Rate of Interest of the loans and advances shall be between 10% to 28% p.a. to be charged for the entire tenure.
- b) Further Loan amount, Annualized Rate of Interest and tenure of loan will be communicated to the borrower in the welcome letter along with the installments towards interest and principal dues.
- c) Besides normal Interest, the Company may levy additional interest for ad-hoc facilities, penal interest *I* default interest for any delay or default in making payments of any dues The details of Penal Interest charges for late repayment will be mentioned in the loan agreement and communicate date & time of sanctioning the loan.
- d) Besides interest, other financial charges like processing charges, cheque bouncing charges, pre-payment *I* foreclosure charges, part disbursement charges, cheques, waps, cash collection charges, bank charges, charges on various other services like issuing NOC, field visit for collection follow up, Foreclosure Value Statement Charges, Foreclosure charges, Duplicated Repayment Schedule etc. would be levied by the company wherever considered necessary. In addition, the Goods and Services Tax and other taxes, levied scores would be collected at applicable rates from time to time.

## **6. Content on the website**

This Interest Rate Policy shall be made available on the Company website.

## **7. Review**

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation / information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.