



PRAYAAN CAPITAL

FAIR PRACTICE CODE (V3.0)

Created pursuant to RBI's Master Direction on Scale Based Regulations, 2023 read with the Circular No. DNBR (PD) CC.No.054/03. 10. 119/2015-16 dated July 01, 2015 and last amended in the Board of Directors 53rd Meeting held on 02nd -June-2025



PREAMBLE

Scope:

Prayaan Capital Private Limited (hereinafter referred to as “PCPL” or the “the Company”) is a private limited company incorporated under the provisions of the Companies Act, 2013 and is a Base Layer Non-Banking Financial Company, registered with the Reserve Bank of India.

PCPL is engaged in the business of extending loans to entrepreneurs engaged in micro, small and medium enterprises with limited access to formal financial services.

This Code has been formulated pursuant to the Guidelines issued by the Reserve Bank of India on Fair Practices Code for Non-Banking Financial Companies, vide Circular No. DNBR (PD) CC.No.054/03. 10. 119/2015-16 dated July 01, 2015 wherein Reserve Bank of India (RBI) has summarized the guidelines on Fair Practices Code for NBFCs and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulations) – Directions, 2023 dated October 19, 2023, as amended from time to time.

This Policy applies to all customers including those with any complaints / enquiries as posted on social / any other media and we encourage all customers to reach out to the below platforms as required.

Objective:

Fair Practice Code is a code adopted by PCPL, which aims to provide to all the stake holders, especially customers effective overview of practices followed by the Company in respect of the financial facilities and services offered by the company to its customers, and to achieve alignment of best practices while dealing with our customers in India. It aims to provide valuable inputs to customers and facilitates effective interaction of customers with the Company.

- To promote good practices and ensure good practices in dealing with customers; by developing, training and implementation of Fair Practices code;
- To promote a fair relationship between the customer and company; greater transparency enabling customers in having a better understanding of the product and taking informed decisions;
- To ensure compliance with legal norms and internal Collections Code of Conduct in matters relating to recovery of advances;

- To strengthen mechanisms for redressal of customer grievances; Building customer confidence in the Company through a mechanism for constantly receiving feedback / grievances from customers.

Operating Guidelines

Applications for Loans and their processing

- PCPL official language for all communications within the Company or with third parties shall be English;
- All communications to the borrower shall be in English or in vernacular language / the language as understood and confirmed by the borrower;
- The 'Application Form with Checklist of documents' of PCPL will include all information and documents that is required to be submitted by the Borrower. Necessary information will be provided by PCPL to facilitate the Borrower in making a meaningful comparison with similar terms and conditions offered by other Lending Institutions and taking an informed decision based on the aforesaid comparison.
- PCPL has a mechanism of giving an acknowledgement for receipt of Application form to its Borrower for availing loans. PCPL would inform the Borrower about its decision within 15 Days from the date of receipt of all the required information and documents. For reasons beyond control of PCPL i.e., additional documents required to be required by the customer, any time delay in submission of said documents etc., the company would take decision within reasonable period of time.

Loan appraisal and terms / conditions and Key Facts Statements for loans and advances

- PCPL shall convey in writing to the borrower in English or in vernacular language / the language as understood and confirmed by the borrower, by way of a sanction letter or otherwise, the amount of loan / limit sanctioned along with all the terms and conditions including annualized rate of interest and method of application thereof and shall keep the acceptance of these terms and conditions by the borrower on PCPL's record.
- Any clause relating to penal charges and penalties being charged for late repayment will be specified in bold in the Loan Agreement.
- PCPL at the time of sanction / disbursements of loans will furnish a copy of loan agreement along with all documents quoted or referred to in the loan agreement to the borrower. In case

of digital lending, digitally signed documents (on the letter head of PCPL) viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the PCPL and any lending service providers involved in such loan, with respect to storage and usage of borrowers' data, etc. shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan contract/ transactions.

- PCPL ensures to convey and explain in detail all the terms and conditions of Sanction Letter, agreement etc., in the language preferred by the customer.
- PCPL shall provide a Key Facts Statement (KFS), as per the format contained in the circular on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, to all prospective borrowers to help them take an informed view before executing the loan contract. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same. Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

Penal Charges in loan accounts

- Penalty, if any charged by PCPL, for non-compliance of material terms and conditions of loan contract by the borrower will be treated as 'penal charges' and will not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- The penal charges and penalties charged by PCPL should be in line with the board approved policy on penal charges and similar charges.
- PCPL shall ensure that the penal charges being levied are reasonable and commensurate with the non-compliance of material terms and conditions of loan contract and not discriminatory within a particular loan/product category.
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', will not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- PCPL will disclose the details of the penal charges i.e. quantum and reason for levying penal charges, to the borrower under the loan agreement, the KFS and on its website under the Interest and Service Charges tab.

- PCPL will ensure that whenever any reminders are sent to borrowers with respect to non-compliance of any material terms and conditions of loan, the penal charges shall also be communicated. Further, any instance of levy of penal charges and the reason therefor will also be communicated by PCPL.

Disbursement of loans including changes in terms and conditions

- PCPL will give Notice to its Borrower(s) (in a language understood by them), of any change in the terms and conditions of the sanction through its published website or as appropriate if specific to a customer. PCPL will also ensure that changes in interest rates, fees and charges are effected only prospectively.
- Decision to recall / accelerate payment or performance under the loan documents will be in consonance with the respective loan agreement.
- PCPL will release all securities of its Borrower only on repayment of all dues by such Borrower, or only on realization of the outstanding amount of the Borrower's availed limit, subject to any legitimate right or lien for any other claim which PCPL may have against its Borrower. If such right of set off is to be exercised, the Borrower will be given notice about the same with full particulars about the remaining claims and conditions under which PCPL will be entitled to retain the securities till the relevant claim is settled or paid by the Borrower. Due Non-objection certificate will be issued to the customer on fulfilment of said terms within 15 working days of completion of formalities.

Release of Movable / Immovable Property Documents on Repayment/ Settlement of Loans

- Pursuant to notification no. RBI/2023-24/60 DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023 in respect to release/return of the documents on repayment or settlement of the loan, PCPL has adopted the following policy framework:
 - Upon repayment/ closure of the loan account with any Borrower PCPL shall:
 - Within 30 days of such repayment/ closure of the loan account, release/ return all the original documents, title documents pertaining to the movable/immovable properties or any other, original documents including share certificates, or any other article/elements ("**Deposited Documents**") received from the borrower(s) /mortgagor(s) / security provider(s) or any of the authorized representative appointed by such borrower(s) / mortgagor(s) / security provider(s) ("**Depositor**").

- remove charges registered with any registry within a period of 30 days of such repayment/ closure of the loan account;
- The Depositor shall be given the option of collecting the Deposited Documents either from the outlet / branch where the loan account was serviced or any other office of the PCPL where the documents are available, as per the preference of the Depositor.
- The timeline and place of return of Deposited Documents shall be mentioned in the loan sanction letters issued by PCPL on or after December 1, 2023.
- In order to address the contingent event of demise of the sole or joint Borrower(s)/Mortgagor(s), the PCPL shall take the following procedure for return of Deposited Documents to the legal heirs:
 - PCPL shall obtain the particulars and contact details of the legal heirs of the Borrower / Mortgagors ("**Legal Heirs**") at the time of granting the loan facility to the respective Borrowers.
 - Upon being informed about the demise of the Borrower/ Mortgagor depositing the Deposited Documents, PCPL shall contact the Legal Heirs by way of phone, SMS, Email or registered post a faceable and return the Deposited Documents to the respective Legal Heirs of the demised Borrower/Mortgagors;
 - PCPL may always make to provision for additional Security Interest / Collateral upon release of the of the security interest pertaining to the Deposited Documents ("**Existing Security**"), to meet its security requirement for continuing to make available the given loan facility to the Borrower (or their Legal Heirs upon demise of the sole Borrower). In an event, if the Borrower (or their Legal Heirs upon demise of the sole Borrower) are unable to provide or substitute the Existing Security with adequate new security interest acceptable to PCPL, PCPL may recall its loan facility provided to Borrower (or their Legal Heirs).
- The aforesaid procedure for return of Deposited Documents to the legal heirs shall be displayed on the website of the PCPL along with other similar policies and procedures for customer information.

Compensation for delay in release of the Deposited Documents

- **In case of delay in releasing of the Deposited Documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/**

settlement of loan, the PCPL shall communicate to the relevant borrower reasons for such delay. In case where the delay is attributable to the PCPL, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay or such other amount as may be prescribed under the relevant regulations from time to time.

- **In case of loss/ damage to any of the Deposited Documents**, the PCPL shall assist the borrower in obtaining duplicate/certified copies of the Deposited Documents and shall bear the associated costs, in addition to paying compensation the borrower at the rate of ₹5,000/- for each day of delay or such other amount as may be prescribed under the relevant regulations from time to time. However, in such cases of loss/ damage to any of the Deposited Documents, an additional time of 30 days will be available to the PCPL to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

General

- PCPL will refrain from interference in the affairs of its Borrower except for the purposes provided in the terms and conditions of the respective loan agreement (unless new information, not earlier disclosed by the Borrower, which may come to the notice of PCPL).
- In case of receipt of request from the Borrower for transfer of Borrowal account, the consent or otherwise i.e., objection of PCPL, if any, is generally conveyed to such Borrower within 21 days from the date of receipt of the Borrower's request. Such transfer will be as per transparent contractual terms in consonance with all the applicable laws.
- In the matter of recovery of outstanding dues of its Borrower, PCPL does not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans / dues, etc. When a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery should be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery. Training will be imparted to ensure that staff is adequately trained to deal with customers in an appropriate manner.
- At present, the company does not have floating rate term loans, if the company introduces such a product in the future, the company as a policy shall not charge foreclosure charges / pre-payment penalties on the floating rate term loans sanctioned to its individual borrowers

and comply with the provisions with regard to fair practices stipulated by RBI from time to time.

- Pursuant to notification no. DNBS.204/CGM(ASR)-2009 dated 2 January 2009 in respect to regulation of excessive interest charged by NBFCs, PCPL has adopted an Interest Rate Policy taking into account relevant factors such as cost of funds, margin and risk premium, etc. to determine the rate of interest to be charged for loans and advances. The Interest Rate Policy also covers the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers and same is displayed on the website of the Company, www.prayaancapital.com
- The Board of Directors of the Company have laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. The Board of directors would also conduct a periodical review of the compliance of the Fair Practices Code and functioning of the grievances redressal mechanism at various levels of management. A Consolidated report of such reviews would be submitted to the Board at regular intervals, as prescribed by it.

Mandatory display requirements

PCPL has the following in all our branches / places where business is transacted and on PCPL's website:

- Fair Practices Code (in languages understood by borrowers);
- Appropriate arrangement for receiving complaints and suggestions.
- Display of the name, address and contact number of the Complaint Redressal Officer. The Process of the Complaints redressal unit will ensure closure of all complaints to the customers' satisfaction.

They will ensure that the complaint is escalated to the appropriate levels in case it is not possible to resolve at his / her level. Whilst the ultimate endeavor is to ensure we reach a situation where our customer don't have to complain to senior management to get an effective redressal, we have put in a robust mechanism to handle these complaints, review them from a point of view of understanding reasons for the complaint and for the escalation and working on prevention of recurrence thereof.

