# P2P LENDING

*EARN 2.5 TIMES MORE COMPARED TO FIXED DEPOSIT*

## What is P2P Lending

Peer to Peer Lending, also referred as P2P Lending is an alternate asset class where an individual can borrow funds from multiple individuals through a digital platform. In effect, P2P platforms offer a digital marketplace to connect borrowers and lenders for unsecured personal loans and thereafter manage the entire life cycle of a loan to offer monthly returns to lenders.

# WHY P2P LENDING

P2P lending is an alterante asset class which gives you easy access to creditworthy borrowers where one can invest in retail loans for risk optimised higher returns. This is the only asset class which provides Investors access to retail loans

Investing in an alternate asset class like P2P gives an Investor an opportunity to diversify their portfolio with an aim to invest in retail loans through granular diversification.
This asset class aims to bring -

Lower volatility in the portfolio by investing in non market linked instruments (Retail Loans)
Beler returns than most of the fixed

## WHY ALLOCATE IN AN ALTERNATIVE ASSET CLASS?

# ADVANTAGE & VALUE PROPOSITION OF P2P

Peer to peer Lending offers stable and risk adjusted returns with no exposure to market volatility. It gives you an opportunity to invest in new asset classes with benefits of beer diversificaton and allows one to earn a monthly income as well as benefits of compounding through reinvestments of

Benefits
These platforms allows you to invest granularly in pre verified creditworthy borrowers. We believe that a portion of portfolio alloca3ons to this new asset class will bring-
Lower portfolio volatlity Additonal alpha
Cash flow option without compromising on returns Investment in an uncorrelated Asset
Opportunity to invest in an asset class which was primarily owned by Institutions i.e, Retail Loans
Returns potential is as high as 2.5 3mes of fixed deposits

**Basic Features**

**Minimum Investment Rs 50,000, Maximum Rs 50 Lacs per PAN. All can invest except NRI's**

**Preference to reinvest EMIs - Only Principal portion, Only Interest portion, entire EMI and/or , pre-payments**

**SIP - with minimum Rs. 1000 (ader initial investment of Rs. 50k)**

**As of now all investment happens for 36 months with monthly return of EMI**

**Option to withdraw EMIs/ Re-invest EMIs lies with Investor**
**Liquidity - in the form of EMIs only**

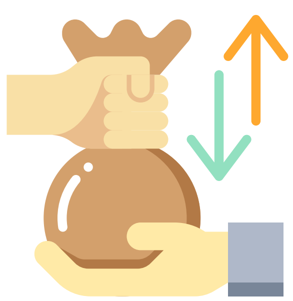
# Who all can Invest?

Any individual (18 years and above) or non individual entry with valid identity proof and address proof can Invest. NRIs cannot invest in their own name.

## Category of Borrowers

P2P platforms follows the RBI mandated KYC verification process for all its users and assesses the creditworthiness of a borrower across 130 different parameters. This risk assessment results in civil Score( or personal score) which in turn categorises the sancioned borrowers across 15 range grades (A+1 to B6) and 5 broadrating categories A+, A***α***, A***β***, B***α*** and B***β***.

Interest rate on a loan is linked to specific rating system. For example one of the leading P2P platforms uses Interest rate ranges from 7.99% to 21.99% as per



# Rating Category and Rating Interest

| A+ | A | B | C |
|---|---|---|---|
| A+1 - A+3 | A1 - A6 | B1 - B6 | C1 - C6 |
| 7.99 % - 9.99 % | 10.99 % - 15.99 % | 16.99 % - 21.99 % | 22.99 % - 27.99 % |

These Platforms has been focussing on salaried borrowers with currently more than 90% borrowers being salaried. Most of our borrowers are from Tier 1 ci3es and would have CIBIL history. We offer loans to borrowers with minimum Rs 35000 take home salary and for self employed with minimum income of Rs 5,00,000 as per last filed income tax return.
90% of our borrowers are at the peak of their earning careers between the age of 25 years to 45 years.

They passes on all the interest payment by borrower to the lenders, we do not keep any interest differential on loans. Platforms generally charges 2% fees and 18% GST on the EMI amount paid back to the lenders. Thus P2P earns only when they return money to lenders and not on the investment amount.

# Borrowers Due Diligence

These Platforms uses a scientific approach to analyze repayment capacity of every Borrower. We study multiple factors of each borrower across income details, amount of existing commitments and leverage, past loan repayment track record, employment details and several other related parameters. Based on these inputs, we arrive at their Rating using our proprietary credit algorithm.

The information used spans across the income documents taken from borrowers viz. salary slips, ITR, Form 16, CIBIL information, EPFO data, bank statement, social media imprints, third party databases, etc.

Apart from this Borrowers digitally provide following documents before disbursement of loan:

Loan Agreement
Demand Promissory Note
National Automated Clearing House (NACH) registration mandate

# Risk Attached

The main risk in P2P Investment is default Risk of the Borrower. They makes all efforts to mitigate the default risk

# Recovery Mechanism

We have a strong in-house collec3on and recovery team and have 3e ups with bank recognized collec3on agencies across the country. A well documented process is followed for communication and ac3on for each of the delayed cases which involves follow up emails and text messages, phone calls, field visit, appointment of third party collec3on agencies and legal recourse.
In addition, these platforms also a member of various credit bureaus and reports the borrower's loan behaviour to these bureaus on a monthly basis. This acts as a big deterrent for borrowers to repay on time else their CIBIL scores would be impacted.

High credit risk assessment standards. Almost 90% loan applications at get rejected out of every 100.

And of the approx 10 loans that get disbursed, we further try to mitigate risk by allowing only granular investment from each lender. This diversification at the outset and with each reinvestment cycle is of paramount importance from a risk management perspective

## Portfolio Performance/ NPA

Most of the P2P Platforms offers a very detailed and transparent dashboard where an investor can login and access his portfolio performance and track their investments. Details of delayed loans, restructured loans, written-off loans and sellected loans are provided. Despite the covid situation, in the last 1 year from April 2020 3ll May 31 2021, our NPA is limited to 2.00% only.

## Tax Implication

The interest income is considered as income from other sources and taxation is as per the tax bracket of individual investors. TDS is not applicable as of now. Platforms provides a very simple interest certificate for every financial year clearly mentioning the interest income, Platform fees and GST on the fees and write-off and write back, if any.