Policy on Interest Rate and Charges - Retail

Internal

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1. BACKGROUND

Piramal Finance Limited (PFL/Company), formerly known as Piramal Capital & Housing Finance Ltd, a wholly owned subsidiary of Piramal Enterprises Limited (the flagship company of Piramal Group) is a NBFC registered with Reserve Bank of India (RBI) and in the business of lending in retail and wholesale space

This document is intended to present the policy of the Company for dealing with retail customers/borrowers, in respect of determining the pricing for loans/credit facilities given by PFL, in a transparent and open manner. It is necessary to evolve a standard for pricing of loans with a view to ensuring that the pricing is fair and transparent

Keeping in view the below circulars (as amended from time to time), the following internal guiding principles and interest rate framework are therefore laid out

1. Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions ("RBI Master Direction"), 2021 dated 17th February 2021
2. Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans vide circular DOR.MCS.REC.32/01.01.003/2023-24 dated August 18, 2023
3. Fair Lending Practice – Penal Charges in Loan Accounts vide circular DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023
4. Reserve Bank of India (Pre-payment Charges on Loans) Directions 2025 vide circular DoR.MCS.REC.38/01.01.001/2025-26 dated July 02, 2025

RBI has further consolidated Master Directions (MDs) administered by the Department of Regulation on an 'as-is' basis and issued separate set of MDs applicable to NBFCs. Accordingly, all these circulars are now included in Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 dated Nov 28, 2025

Furthermore, PFL will adhere to the extant RBI Guidelines/Circulars issued from time to time. This Policy is applicable for retail loans

2. INTEREST RATE

The Company lends money to its customers through fixed & floating rate loans

It lends through various products designed to cater to the needs of different category of customers,

- Mortgage (Individual salaried, Individual Self-employed, SME's)
- Consumer (Secured & Unsecured)

RBI requires that the Board of each NBFC should adopt an interest rate model taking into account relevant factors such as cost of funds, operating expenses, margin, risk premium and determine the rate of interest to be charged for loans and advances

PFL offers both floating interest rate loans and fixed interest rate loans depending on the nature of product

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A. Floating Interest Rate

Rate of interest applied on Floating Rate loans comprise of two components, the **FRR/RPLR** and **the spread**. While the Company proposes a single FRR/RPLR for all retail loans, the spread can vary for different customers based on the parameters listed in this Policy

The applicable rate of interest for the same tenor for different clients can be different depending upon the combination of one or more of the below mentioned factors

PFL has now adopted a new methodology for benchmark computation for our floating lending rate viz. Floating Reference Rate (FRR). FRR shall be applicable to all new loans and advances sanctioned

All existing loans will continue to be linked with RPLR as per the terms agreed and mentioned in the sanction letter

Any change in FRR will also result in corresponding change in RPLR

Determination of Floating Reference Rate (FRR)

The Asset Liability Committee ("ALCO") will review and approve the FRR which will be calculated based on following parameters:

a) Average cost of Borrowing
b) Operating Expenses
c) Credit Cost
d) Profit Margin
e) Enterprise Risk Premia

Determination of Spread

The rate of interest for loans for various business segments is arrived after adjusting for spread by the Retail Business Team. Major factors considered by businesses for calculating spreads are combination of one or more of the following factors:

- Profile and market reputation of the borrower including usage of internal credit scoring models leveraging traditional approaches like Bureau score, performance as well as alternative data sources,
- Inherent nature of the product, type / nature of facility, refinance avenues, whether loan is eligible for bank financing, loan to value of asset financed,
- Tenure of relationship with the borrower, past repayment track record and historical performance of our similar clients,
- Overall customer yield, future potential, repayment capacity based on cash flows, income assessment method/loan eligibility and other financial commitments of the borrower,
- Nature and value of primary and secondary collateral / security, location,
- Type of asset being financed, end use of the loan represented by the underlying asset,
- Interest, default risk in related business segment, credit guarantee, sourcing (physical/digital)
- Regulatory stipulations, if applicable,
- Tenure, quantum, repayment schedule and structure (including proposed moratorium, if any)
- Product Specific Premium/Discount (including leviable charges and customer specific premium/discount)
- Any other factors that may be relevant in a particular case

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B. Fixed Interest Rate

Rate of interest applied on **Fixed Rate** loans is determined on the basis of multiple parameters, including but not limited to:

a) Average cost of Borrowing
b) Operating Expenses
c) Credit Cost
d) Profit Margin
e) Enterprise Risk Premia

C. Determination of Final Pricing

These parameters/factors mentioned above play a critical role in determining the final pricing. The final pricing of the product is calculated by adding Operating Expenses, Credit Cost and Margins/Profit to the Cost of Funds. These varies from product to product

Final Pricing = Cost of Funds + Operating Expenses + Credit Cost + Profit

Maximum ROI and APR cap of all products are mentioned below as approved in Product Governing Council:

Products	Min ROI (p.a.)	Max ROI (p.a.)	Max APR cap (p.a.)
Housing Loans (AF, MA, BH)	Cost of Funds	19%	21%
MSME Secured Loans (LAP, SBL) excluding SBL Saarthi		21%	23%
Micro LAP, SBL Saarthi		24%	27%
Unsecured Business Loans		30%	34%
Used Car Loans (excluding UCLPAREL)		22%	28%
Rural Lending		26%	35%
Rural Co-lending**		30%	38%
Branch Personal Loans		30%	33%
Digital Loans (PL) – Salaried (>12 months tenure)**		35%	40%
Digital Loans (PL) – Salaried (<=12 months tenure)**		35%	45%
Digital Loans – Self employed**		42%	50%
Loan Against Securities		15%	17.5%
Gold Loans		30%	35%

**Digital Loans include Embedded Finance, Direct to Customer PL (X-sell) and UCL Parallel Loans

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***This is the maximum approved cap beyond which a borrower cannot be charged. It may look high due to higher marketing and other expenses, however the actual weighted ROI charged to borrower(s) are way below this (refer above table). Also, shorter tenure loans tend to have a higher APR*

D. Annualized Percentage Rate (APR)

The rate of interest alone doesn't represent the actual cost of borrowing for the borrower since it /doesn't include various additional costs and fees associated with the loan. These extra expenses can impact the overall cost of borrowing

APR provides a more accurate cost of loan to the borrower. Apart from rate of interest, it also includes other charges like processing fee and insurance premium, if applicable. It does not include charges like stamp duty, prepayment charges, penal charges, CERSAI charges, etc.

APR is disclosed as it gives the borrower a clear understanding of how much the loan will cost over the tenure of the loan

APR is effectively the ROI calculated on the net disbursed amount after deducting processing fee and insurance premium

E. Pricing Matrix

This covers the product specific pricing matrix, applicable rate of interest, annualized percentage rate, processing fee and any other related charges

The interest rate would be-

- Offered on fixed, floating / variable basis
- Charged on daily, weekly, fortnightly or monthly as per agreement

The Company shall communicate to its Customer/borrower via a sanction letter/loan agreement along with the Terms and Conditions, the following details:

- The amount of loan sanctioned along with terms and conditions including annualized rate of interest applicable to the loan
- Details of the default/penal charges, conversion charges for switching loan from fixed to floating rates or vise-versa, existence of any interest reset clause and other fees and charges applicable to the loan

The interest shall be deemed payable on the due date as communicated.

Other financial charges as mentioned in applicable agreement would be in addition to the interest rate as specified in the agreement. Any revision in these financial charges would be with prospective effect, unless specified otherwise, and stipulated in the agreement/ published on the Company website. This additional or penal charges matrix for different products or facilities will be approved as per documented internal approval limits

Applicable taxes and any other government/statutory charges would be collected at applicable rates from time to time as mandated by the regulatory authorities

In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing, as per approved Credit Risk Policy

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Claims for refund or waiver of charges/ penal charges / additional charges shall be at the sole discretion of the Company as per documented internal approval limits

Reduction in interest rate charged to a borrower would be done at the sole discretion of the Company and in adherence to extant regulatory guidelines

Any change in the interest rate would be based on commercial reasons which will in adherence to extant regulatory guidelines and in line with the agreement with the borrower:

- Interest changes would be prospective in effect and intimation of change of interest or other charges would be communicated to customers through letter/ email /by publishing on website.
- No interest is payable on Credit Balance in customer's account
- The rate of interest and the approach for gradation of risks along with penal charges will be made available on the website of the Company. The same will be updated whenever there is an amendment
- All transactions, including payment of interest on deposits/ charging of interest on advances, shall be rounded off to the nearest rupee, i.e. fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored

3. GUIDELINES ON RESET OF FLOATING RATES

This section defines the norms to be followed during reset of FRR/RPLR at PFL to be in line with RBI circular on Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans - Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

Applicability and General Norms

These guidelines shall be applicable to all EMI based floating rate Personal Loans (existing as well as new customers) given to individuals consisting of (a) Consumer Credit (b) Education Loan, (c) Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.) and (d) Loans given for investment in financial assets (shares, debentures, etc.)

- PFL, at the time of sanction, shall communicate to the borrowers about the possible impact of change in FRR/RPLR on the loan leading to changes in EMI and/or tenor or both.
- Any increase in the EMI/ tenor or both on account of re-pricing due to change in FRR/RPLR shall be communicated to the borrower immediately through appropriate channels i.e e-mail, SMSs, letters, etc.
- The impact of FRR/RPLR reset on ROI will be given immediately
- All existing borrowers shall be sent a communication, intimating the options available to them.
- At the time of reset of interest rate due to change in Floating Reference Rate (FRR) / Retail Prime Lending Rate (RPLR) the impact will first be given to tenure and then to EMI. The borrower(s) will have an option to choose any of the below:
    - Enhancement in EMI
    - Elongation of tenure
    - Combination of both
    - To prepay, either in part or in full (foreclosure/pre-payment charges to apply as applicable)
- The above choices will be considered provided elongation of tenor in case of floating rate loan does not result in negative amortisation

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- The above options will be available to the borrower(s) every time there is a resetting of interest rate due to change in FRR/RPLR.
- All applicable charges and any other service charge / administrative costs incidental for opting above choices will be disclosed in the sanction letter and Most Important Terms and Conditions (MITC) and also at the time of revision of such charges/ costs from time to time
- Borrowers will have access to quarterly statement, easily understood, detailing principal and interest payments received to date, remaining EMIs, EMI amount, and the annualized interest rate for the entire loan term through appropriate channels

Treatment of loans amid rate of interest change due to change in FRR/RPLR

- Below loans will be excluded while implementing the effect of FRR/RPLR changes:
    - Loans linked to interest subvention schemes with developers
    - Loans which are part of sold securitization pool, where the service was handed over to assignees and the system cut off was implemented
    - Loans which are part of bought securitization pool, where the loans are serviced by assignor
    - Loans which are part of sold securitization pool, prior to 1st Jan 2020
    - Loans disbursed in the immediate preceding 3 months
    - Loans which were retained by offering lower rate of interest (specific period to be decided during every FRR/RPLR reset)
    - Loan under structured scheme

- Tenure will be increased as first option, except in below scenarios where EMI will be increased. The choices during FRR/RPLR reset will be available to all borrowers as mentioned above:
    - Loans which will move to negative amortization due to the increase in FRR/RPLR
    - Loans in which principal recovery is zero in EMI cases
    - Loans in which age of all the applicants exceeds 74 years and 11 months at maturity of loan. Any exception to this shall be approved by Chief Operating Officer
    - Balance tenure of loans shall not exceed 30 years. Any exception to this shall be approved by Chief Operating Officer

3. GUIDELINES FOR PENAL CHARGES

This section defines the governing principles in determination of penal charges for loans and advances in line with RBI circular Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 dated Nov 28, 2025

Regulated Entities (RE's) use penal rates of interest, over and above the applicable interest rates, in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned

Applicability and General Norms

Penal charges are levied with an intended objective to drive credit discipline in the conduct of the account. These guidelines shall be applicable to all existing as well as new customers and all the products

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- Penal charges for the purpose of this Policy represents charges over and above normal interest rates/ fees, levied for default by the borrower in complying with the terms on which credit facilities were sanctioned. The term 'default' covers delays in repayment of loan, irregularity in the conduct of the account or non-compliance with material terms of the sanction of the facility.
- PFL shall charge penalty for non-compliance of material terms and conditions (defined in section below) of loan contract by the borrower
- It shall be in the form of 'penal charges' without any capitalization i.e., no addition of 'penal interest' which may result into further interest computed on such charges. This will not affect the normal procedures for compounding of interest in the loan account.
- PFL shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall be at par with penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions
- The quantum and reason for penal charges will be disclosed in the Sanction Letter, Loan Agreement and Most Important Terms and Conditions (MITC) / Key Fact Statement (KFS).
- These charges will also be displayed on PFL website
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall also be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated
- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category. Penal charges shall be levied as below:

	Penal Charges for Default of PEMI/EMI	**Penal Charges for non-compliance of other terms and conditions**	**Loan repayment instrument dishonour charges (Cheque return/bounce charges/ECS/SI/NACH)**
Mortgage / Personal Loan/ Unsecured Business Loan / Used Car Loan / Direct to Customer – Personal Loan / Loan Against Securities	24% per annum i.e. 2% per month on default of PEMI/EMI from the date of default till the date of actual payment	24% per annum i.e. 2% per month on Outstanding Amount, for the period beginning the date of such non-compliance until the same is cured to the satisfaction of PFL	INR 750/- per instance .
Embedded Finance Personal Loan**	Upto 36% per annum i.e. 3% per month on default of EMI/EDI/BPI from the date of default till the date of actual payment	Upto 36% per annum i.e. 3% per month on Outstanding Amount, for the period beginning the date of such non-compliance until the same is cured to the satisfaction of PFL	Upto INR 750/- per instance .
Gold Loans	6% per annum i.e. 0.5% per month on default of	6% per annum i.e. 0.5% per month on	Nil

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	interest from the date of default till the date of actual payment	Outstanding Amount, for the period beginning the date of such non-compliance until the same is cured to the satisfaction of PFL	
Rural Lending	Nil	Nil	Nil

**As regards Penal and Other Charges / Fees to be levied to the customers in case of a Co-lending arrangement, the Board approved Policy adopted in line with the 'RBI circular on Fair Lending Practice-Penal Charges in Loan Accounts' by the Co-lending partner sourcing the customers shall be adhered to

Material Terms and conditions for levying Penal Charges

Occurrence of any or all the following events/actions, as applicable for the respective Product, shall constitute as material terms and conditions of loan contract (Agreement)

- Default in or non-payment of Outstanding Amount or EMI due in full or any other dues under the Agreement, on or before the due date as provided in the Agreement
- Non-creation of Security within time specified or within the extended time period, in terms of the Agreement or Transaction Documents
- Non-deposit of title deeds of the Property or any other document as stipulated by the Lender with the Lender within stipulated time as mentioned in the Transaction Documents
- If the Borrower fails to furnish the Lender with all title documents of the Property which is in the Borrower's possession at any time, or any information/documents/ PDC/ NACH as required by the Lender time to time
- Any information given by the Borrower in the Loan Application, or financials provided to the Lender, and/or any other document/ certificate/receipt/statement, to Lender for financial assistance is found to be misleading or incorrect
- If the Borrower misuses the Loan Amount or any part thereof for any purpose other than the Purpose for which the Loan has been sanctioned or if the Purpose for which the Loan has been obtained becomes illegal
- Dishonour of any payment instructions provided under the Agreement / any instructions given by the Borrower for stopping payment of any mode under the Agreement or instructions to the Lender not to present any NACH mandate or cancellation of NACH mandate
- Any short payment of any demand raised by the Lender under the terms of the Transaction Documents
- In the event the Security or part of it is lost, disposed off, gifted or depreciates in value and the Borrower fails to provide additional security to maintain the Security Cover, or there is any attachment or distrait is levied on the Security or any part thereof as prescribed by the Lender or if the Security Interest provided becomes unenforceable in nature
- If the Security or any part of the Security is let-out, given on leave & license, sold, disposed off, charged, encumbered or otherwise alienated in any manner whatsoever, without the prior written consent of the Lender

4. GUIDELINES FOR PRE-PAYMENT CHARGES

This section defines the guidelines on pre-payment charges for loans and advances in line with Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025

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Below guidelines shall be applicable to loans and advances sanctioned from 1st January 2026:

For loans which are sanctioned before 1st January 2026 will continue to be charged as per the terms agreed and mentioned in the sanction letter / Key Fact Statements/ MITC

Applicable Prepayment / Part-Payment Charges:

A. Floating Rate Loans

Primary Borrower / Applicant Type	Product	Charges
Individual	Housing / Non-Housing	**Nil**
Non-Individual (With MSE classification as per Udyam Registration Certificate)	Housing / Non-Housing	**Nil**
Non-Individual (Other than MSE)	Housing / Non-Housing	**4%** of principal prepaid + applicable taxes

B. **Fixed Rate Loans**

Primary Borrower Type	Product	Charges
Individual	Housing Loan	**2%** of principal prepaid + applicable taxes
Individual	Non-Housing Loan	**4%** of principal prepaid + applicable taxes
Non-Individual	Housing Loan	**4%** of principal prepaid + applicable taxes
Non-Individual	Non-Housing Loan	**4%** of principal prepaid + applicable taxes
Individual / Non-Individual	Unsecured Business Loan	**5%** of principal prepaid + applicable taxes *
Individual / Non-Individual	Used Car Loan	• **6% of part-prepayment amount + applicable taxes** (if prepaid within 12 months from date of first disbursement) • **5% of part-prepayment amount + applicable taxes** (if prepaid after 12 months from date of first disbursement) • **Maximum 2** part-prepayments allowed in a financial year • **Minimum part-prepayment:** ₹1,00,000 per instance
Individual	Direct to Customer – X-sell (Shakti) – PL	**3%** of principal prepaid + applicable taxes
Individual	Embedded Finance (Digital Loans) – PL	**Up to 5%** of principal prepaid + applicable taxes **
Individual	Personal Loan – Organic	**Nil** ***
Individual / Non-Individual	LAS / LAMF	**Nil**
Individual	Rural Lending	**Nil**
Individual	Gold Loans	**Nil**

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* Part payment charges are not applicable in case of UBL-Flexi for part payment of up to 30% of disbursed amount. For part payment above 30% of disbursed amount part payment charges would apply as mentioned

** For Embedded Finance loans, the prepayment / part-payment percentage may vary from partner to partner. The applicable charges will be mutually agreed in Master Service Agreement and clearly specified in the KFS, MITC, and loan agreement

*** Part payment charges are not applicable in case of PL – Prime. In case of Foreclosure / pre-payment 4%+ applicable taxes of disbursed amount or current dropline amount (whichever is lower)

- For dual rate loans (combination of fixed and floating rate), the applicability of charges will depend on whether the loan is on floating rate at the time of pre-payment
- In case of term loans, pre-payment charges, if levied, shall be based on the amount being prepaid
- In case of revolving facilities, pre-payment charges on foreclosure / prepayment before the due date shall be levied on an amount not exceeding the sanctioned limit
- In case of revolving facilities, no pre-payment charges shall be applicable if the borrower intimates his/her/its intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date
- No pre-payment charges shall be levied where pre-payment is initiated by PFL
- Any charges/ fees shall not be levied retrospectively at the time of pre-payment of loans, which were waived off earlier
- The borrower may make part-payments towards the outstanding principal only once in a calendar month, unless specified for any product in the table above**.**
- Each such part-payment amount should exceed one (1) Equated Monthly Instalment (EMI) else any amount less than or equal to one (1) EMI shall be treated as an advance EMI and shall not be considered as a part-payment towards reduction of the principal
- Pre-payment charges shall be clearly disclosed in the sanction letter, loan agreement and KFS. Pre-payment charges which have not been disclosed as specified herein shall not be charged
- In the case of buyout or sale transactions, prepayment charges shall be levied in accordance with the terms & conditions /disclosures made to and accepted by the customer at the time of loan sanction /origination, in sanction letter, key fact statement and loan agreement
- In co-lending arrangements, the prepayment charges shall be levied as per the terms and agreement/s between the partners
- Even post onboarding, if customer at the time of prepayment / foreclosure submits Udyam Registration Certificate (URC) for MSE classification, then it should be updated in the system and be exempted for prepayment charge for all cases which are sanction post 1st January 2026

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