

PIRAMAL FINANCE LIMITED
(FORMERLY KNOWN AS PIRAMAL CAPITAL & HOUSING FINANCE LIMITED)

Policy: **Interest Rate Policy - Wholesale RE & CMMI Business**

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Approving Authority: **Board of Directors**

PIRAMAL FINANCE LIMITED

INTEREST RATE POLICY – WHOLESALE RE & CMML BUSINESS

1. INTRODUCTION

- a) This document is intended to present the policy of Piramal Finance Limited (“PFL/Company”) for dealing with 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.
- b) In order to ensure its standards of transparency, in conformity with the stipulations of the directives by Reserve Bank of India (RBI), the Board of Directors of PFL have adopted the Interest Rate (Wholesale Floating Reference Rate i.e. Wholesale FRR) which outlays the internal procedures in determining interest rates as per the requirement.
- c) Reserve Bank of India (RBI) has vide its Master Direction - Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 advised that Boards of Non-Banking Financial Companies (NBFCs) to lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. PFL to also adhere to relevant Fair Practices Code (FPC) guidelines as issued & updated by the regulator from time to time.
- d) Keeping in view the RBI guidelines, the following internal guiding principles and interest rate model are therefore laid out that need to be taken cognizance of while determining interest rates.
- e) Any amendments to this policy shall be made either by the Board of Directors or any committee of the Board authorized in this behalf.
- f) In the event of any discrepancy or conflict between the terms of this Policy and any other documents, the terms of this Policy shall prevail.
- g) **Review of the policy:** The Interest Rate Policy shall be reviewed as and when required but at least annually. Any amendment in the Policy shall be made after taking the due approval from the Board of Directors of PFL and it shall be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.
- h) Custodian of this Policy will be the RE & CMML Credit Department.

2. SECTION FOR WHOLESALE REAL ESTATE (RE) BUSINESS:

Determination of Reference Lending Rate

The Asset Liability Committee (ALCO) will determine a Wholesale Floating Reference Rate hereinafter referred to as Piramal Wholesale Floating Reference Rate (FRR) based on factors including but not limited to average cost of borrowing, credit risk premium, administrative costs / opex, profit margin (ROA) and Enterprise Risk Premia. Any change in the FRR will be reviewed and approved by the ALCO and shall be published on Company's website. Wholesale Prime Lending Rate (PLR) to continue for existing loans until they are completely repaid. Additionally, any change in FRRs will also replicate as is in percentage/ basis points in existing PLRs as well for loans sanctioned / disbursed on PLRs.

1. The Lending Rate for each facility will be decided after considering various factors like tenor of the contract, market reputation of the customer, inherent credit and default risk of the product, Customer profile, Past repayment track record of the Customer, segment to which the business of the Customer belongs, other business opportunities with the Customer, future potential, the financial strength of the group to which the Customer belongs, the nature and value of the security (primary as well collateral), term of the loan; structure of the loan, terms of payment of interest (i.e., monthly, quarterly, half yearly etc), terms of repayment of principal, moratorium period etc.
2. The rate of interest to be charged for loans and advances will be based on the cost of funds, margin, credit cost and risk premium.
3. The rate of interest is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced.
4. The interest rate charged will also take into consideration cost of doing business. Factors such as complexity of the transaction, capital risk weightage, size of the transaction, and other factors that affect the costs associated with a particular transaction should be taken into account while arriving at the final interest rate.
5. As a matter of caution, bad debt provision cost should be factored into all transactions and gets reflected in the final interest rate for the Customer. The amount of the bad debt provision applicable to a particular transaction depends on our internal assessment of the credit strength of the Customer.
6. Each Credit Note shall propose the pricing for the proposed loan, with a range of plus or minus three percent based on the pricing model given below:
 - i. Pretax cost of Funds: This would be determined after considering the weighted average cost of funds and the expected return on the quantum of equity to be applied for funding the loan.
 - ii. A markup to reflect other unallocated costs / overheads may be charged to the loan.
 - iii. Tenor: The mark-up to be applied, based on the duration of the loan.
 - iv. Credit Risk Premium: A premium may be applied based on the risk delta of the borrower.
 - v. Structuring Premium: A premium may be applied to the loan in case the loan has any significant structuring elements with respect to the collateral.
 - vi. Margin: Company may charge desired profit margin.
 - vii. Any other criteria reflecting the credit profile of the borrower, nature and size of transaction and other project / transaction specific criteria.
7. The interest rates applicable to loans will be approved by the respective Approving Committee as defined under the Credit Approval Authorization Matrix (CAAM) of the Company, from time to time.
8. The rate of interest for the same tenor for different clients could be different considering the elements of credit risk and structure.

9. We are in the process of piloting an objective Risk Parameter Based Pricing Model which comprises of criteria like Group track record, Borrowing cost, Project related approvals, Sales and Construction stage, etc. The same is proposed to be tested over the next 6 months. The output of the same will be brought to the committee for their final approval.
10. PFL shall communicate to its Customer/borrower via a sanction letter / term sheet / Key Facts Statement (KFS), the following details:
 - a. The amount of loan sanctioned along with the terms and conditions including annualised rate of interest applicable to the loan.
 - b. Details of the default /penal charges and other fees and charges applicable to the loan.
11. The interest shall be deemed payable on the due date as communicated.
12. The interest rate would be charged on monthly or longer rests.
13. The interest rates would be offered on fixed, floating or variable basis.
14. Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal. The same shall also be mentioned in the KFS issued to the Borrower.
15. As per the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, which is applicable to all loans and advances sanctioned or renewed on or after 1st January 2026, no prepayment charges are to be levied and no minimum lock-in period to be prescribed on Floating Rate Loans sanctioned to individuals and Micro and Small Enterprises (MSE) customers irrespective of end-use and source of funds used for repayment / pre-payment of loan. These Directions are not applicable to Fixed Rate Loans sanctioned by the Company.
16. Prepayment / Foreclosure Charges will be upto 4% on the principal amount prepaid, plus applicable taxes, which may be finalized on a case to case basis depending on the structure of the deal. These charges will be mentioned in the KFS issued to the Borrower.
17. Processing fees and other financial charges like late payments charges, RTGS/ other remittance charges, etc. would be in addition to the interest rate as specified in the agreement. Any revision in these financial charges would be with prospective effect and stipulated in the agreement. This additional or penal charges for different products or facilities will be levied as per the applicable **Wholesale RE Penal Charges Policy**.
18. Applicable taxes and any other government / statutory charges would be collected at applicable rates from time to time as mandated by the regulatory authorities.
19. In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.
20. Approvals of Claims for refund or waiver of charges / penal charges will be done as per the **Wholesale RE Penal Charges Policy**.
21. Reduction in interest rate charged to a borrower would be done at the sole discretion of the Company. Company may consider reduction of Rate of Interest as per the criteria mentioned below:

Criteria for interest rate reduction:

- A. Interest rate reduction to be approved only for Borrowers where PFL rates are higher than rates at which borrower has borrowed from other lenders (borrower has access to cheaper source of financing) AND
- B. Any 3 out of 6 below criteria are to be met:
 - 1. Piramal Group's relationship with the Borrower group >3 years
 - 2. Piramal Group's exposure to Borrower Group >Rs 300 Cr
 - 3. Borrower Groups where number of deals done with Piramal Group is 2 or more
 - 4. Risk should have reduced in the project as evidenced by:
 - 1. Key approvals in place, AND
 - 2. 50% of total cost has been incurred, OR
 - 3. Sales performance in last 6 months is higher compared to budgeted sales as per Underwriting assumptions (>20%)
 - 5. Deals where absolute interest rate is higher than 14% p.a.
 - 6. Borrower Group has repaid Rs. 100 Cr and above in case no moratorium is availed or Rs. 50 Cr and above if moratorium is availed in last preceding 12 months/4 quarters wherever applicable

Any deviation from the above criteria must be approved by the respective Approving Committee.

Process to be followed for interest rate reduction:

- a) Rate reduction to be recommended by Business / Origination team and approved by Wholesale CEO, CFO and either CRO (PEL) or Credit Head
- b) Impact of rate reduction to be quantified in absolute terms (in bps or % terms) at the time of approval.
- c) Proposed ROI (i.e. after reduction) cannot be lower than the cost of borrowing
- d) All revisions in interest rates to be noted by respective Approving Committee on a quarterly basis

This process will be applicable only for rate reductions under the criteria specified and shall not apply for changes via PLR / FRR (as applicable) increase / decrease.

- 22. Any increase in interest rate would be done at sole discretion of the Company based on commercial reasons which shall be in adherence to extant regulatory guidelines and in line with the agreement with the Borrowers.
- 23. Interest changes would be prospective in effect and notice of change of interest or other charges would be communicated to customers
- 24. Any amendments to this policy shall be made either by the Board of Directors or any committee of the Board authorized in this behalf.
- 25. In the event of any discrepancy or conflict between the terms of this Policy and any other documents, the terms of this Policy shall prevail.

3. SECTION FOR CORPORATE & MID-MARKET LENDING (CMML) BUSINESS

I. DETERMINATION OF REFERENCE LENDING RATE

- a) PFL borrowers for CMML business can be offered loans at fixed rate or floating rate. The floating rates can be linked to Piramal's Wholesale FRR or any external benchmark as found suitable given the loan structure/ market scenario.
- b) The Asset Liability Committee (ALCO) will determine a Wholesale Floating Reference Rate hereinafter referred to as Wholesale FRR based on factors including but not limited to average cost of borrowing, credit risk premium, administrative costs / opex, profit margin (ROA) and Enterprises Risk Premia. Any change in the FRR will be reviewed and approved by the ALCO and shall be published on Company's website. Wholesale Prime Lending Rate (PLR) to continue for existing loans until they are completely repaid. Additionally, any change in FRRs will also replicate as is in percentage/ basis points in existing PLRs as well for loans sanctioned / disbursed on PLRs.
- c) The Interest Rate for each facility will be decided after considering various factors like tenor of the facility, market reputation of the Customer, inherent credit and default risk of the product, Customer profile, past repayment track record of the Customer, segment to which the business of the Customer belongs, other business opportunities with the Customer, future potential, the financial strength of the group to which the Customer belongs, the nature and value of the security (primary as well collateral), term of the loan; structure of the loan, terms of payment of interest, terms of repayment of principal, moratorium etc.
- d) The interest rate is also affected by the rate at which the funds necessary to provide loan facilities to Customers are sourced.
- e) Credit Note shall propose the pricing for the proposed loan based on the pricing model given below:
 - i) Tenor of the Deal
 - ii) Lending to Financial Institution/ Non-Financial Institution
 - iii) Structure & End Use
 - iv) Fixed Asset Cover
 - v) Cash Collateral
 - vi) Back-ending of the repayments
 - vii) Internal Rating of the Borrower
- f) The interest rates applicable to loans will be approved by the respective Approving Committee as defined under the Credit Approval Authorization Matrix (CAAM) of the Company, from time to time.
- g) Minimum pricing can be upto 100 bps lower than the price calculated by the pricing model; in case of further lower pricing, same can be approved by the Approving Committee (as defined under the CAAM) at the time of approval as a deviation.
- h) The interest rate for the same tenor for different clients could be different considering the elements of credit risk and structure, among other things.
- i) PFL shall communicate to its Customer/ Borrower via Sanction Letter / Term Sheet the following details:
 - The amount of loan sanctioned along with the terms and conditions including

- annualized interest rate as applicable to the loan.
- Details of the default/ penal charges and other fees and charges applicable to the loan as per the relevant Penal Charges Policy.

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

k) The interest rate would be charged on monthly, quarterly, half yearly, yearly or any other frequency as approved by the approving authority at the time of sanction.

l) Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.

m) Processing fees and other financial charges like late payments charges, etc. would be in addition to the interest rate as specified in the agreement. Any revision in these financial charges would be with prospective effect and stipulated in the agreement. This additional or penal charges for different products or facilities will be levied as per the applicable Penal Charges Policy.

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

o) Approvals of Claims for refund or waiver of charges / penal charges will be guided as per the CML Penal Charges Policy.

II. GUIDELINES FOR PRE-PAYMENT CHARGES

- a) 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
- b) For account which are sanctioned before 1st January 2026 will continue to be charged as per the details mentioned in the sanction letter / Key Fact Statements/ Financing Documents.
- c) Below guidelines shall be applicable on loans and advances sanctioned from 1st January 2026.

(i) No prepayment/ foreclosure charges applicable for the below types:

Type of Primary Borrower	Micro & Small Enterprises (MSE)*	Interest Rate Type	Prepayment / Part-payment Charges
Individual	Not Applicable	Floating	No charges applicable
Non-Individual	Yes (MSE Loan)	Floating	No charges applicable

**Determination of MSE to be done through Udyam Registration Certificate (URC)*

(ii) For all other types of loans (i.e. apart from those mentioned in clause 3(c)(i) above):

- Maximum prepayment/ foreclosure charges shall be 4%
- Any prepayment/ foreclosure charges related to lock-in period will not have any upper cap
- Both charges i.e. prepayment/ foreclosure and lock-in, cannot be levied together; however, PFL shall have the right to choose the between both these charges.

(iii) Other Points to be considered:

- Pre-payment charges shall be clearly disclosed in the sanction letter, loan agreement and KFS
- In the case of any syndicated 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.

- 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.

III. CHANGE OF INTEREST RATE

- a) Reduction in interest rate charged to a borrower would be done at the sole discretion of the Company; it may consider reduction of interest rate as per all the criteria mentioned below:
 - (i) Interest rate reduction to be approved only for Borrowers where PFL rates are higher than rates at which borrower has borrowed from other lenders, or where PFL is the sole lender to the Borrower and there is ask for lowering of interest rate; in both these cases, the borrower needs to substantiate basis documentary proof that it has access to cheaper source of financing, and
 - (ii) There should be no incremental credit risk or any other financial stress at the time of reduction in interest rate.
- b) Process to be followed for interest rate reduction:
 - (i) Rate reduction to be recommended by Origination team & approved under Delegation of Power (DoP)
 - (ii) Proposed Interest Rate (i.e. after reduction) cannot be lower than the cost of borrowing
 - (iii) Any deviation from the above criteria must be approved under the respective DoP

Note: This process will be applicable only for rate reductions under the criteria specified and shall NOT apply for changes via Wholesale PLR / FRR (as applicable) increase / decrease.

- c) Any increase in interest rate would be done at sole discretion of the Company based on commercial reasons which shall be in adherence to extant regulatory guidelines and in line with the agreement with the Borrowers.
- d) Interest rate changes would be prospective in effect and notice of change of interest or other charges would be communicated to Customers

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