

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

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

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Approving Authority: **Board of Directors**

PIRAMAL FINANCE LIMITED

INTEREST RATE POLICY – WHOLESALE RE BUSINESS

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.

In order to ensure its standards of transparency, the Board of Directors of PFL have adopted the Interest Rate (Prime Lending Rate) which outlays the internal procedures in determining interest rates as per the requirement.

PFL, registered with Reserve Bank of India (RBI) as non-deposit accepting NBFC, shall adhere with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and applicable Guidelines / Directions issued by the RBI from time to time

Keeping in view the RBI/NHB 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.

Determination of Reference Lending Rate

The Asset Liability Committee (ALCO) will determine a Prime Lending Rate hereinafter referred to as Piramal Prime Lending Rate (PLR) based on factors like weighted average cost of funds, all the leviable charges, credit risk premium, administrative costs and profit margin. Any change in the PLR will be reviewed and approved by the ALCO, and shall be published on Company's website.

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 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, 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.

15. 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**.
16. Applicable taxes and any other government / statutory charges would be collected at applicable rates from time to time as mandated by the regulatory authorities.
17. In case deemed fit, the Company may consider necessary moratorium for interest payment and repayment of principal with proper built in pricing.
18. Approvals of Claims for refund or waiver of charges / penal charges will be done as per the **Wholesale RE Penal Charges Policy**.
19. 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 increase / decrease.

20. 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.
21. Interest changes would be prospective in effect and notice of change of interest or other charges would be communicated to customers
22. Any amendments to this policy shall be made either by the Board of Directors or any committee of the Board authorized in this behalf.
23. 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.

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 NHB or such other statutory authority's requirements/updates/ amendments from time to time.

Custodian of this Policy will be the Credit Department
