

Co-Lending Policy

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Preamble

Reserve Bank of India (RBI) had issued circular No. FIDD.CO.Plan.BC.08/04.09.01/ 2018-19 dated September 21, 2018. on co-origination of loans by banks and NBFCs for lending to priority sector. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

Consequently basis the feedback and various comments received, RBI revised the circular vide RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21 dated November 5, 2020. The primary focus of the revised scheme, rechristened as “Co-Lending Model” (CLM), is to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs.

RBI has now issued revised guidelines vide circular RBI/DOR/2025-26/139 DOR.STR.REC. 44/13.07.010/2025-26 dated August 6, 2025 to be referred as Reserve Bank of India (Co-lending Arrangements) Directions, 2025. The revised circular broadens the scope of co-lending and is called as ‘Co-Lending Arrangements’ (CLA).

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, the provision of Reserve Bank of India (Co-lending Arrangements) Directions, 2025 dated August 06, 2025, are now included in Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025 dated Nov 28, 2025.

This is applicable to Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks); All-India Financial Institutions; and NBFCs (including Housing Finance Companies).

The banks can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.

Note: RBI circular RBI/DOR/2025-26/352 DOR.STR.REC.271/21.04.048 /2025-26 dated November 28, 2025 supersedes all previous circulars on Co-lending Arrangements

Existing CLAs (i.e., the lending arrangements executed before the date of issuance of these Directions) and new CLAs entered into prior to the effective date shall be in compliance with the extant regulations.

Piramal Finance Ltd (formerly known as Piramal Capital & Housing Finance Ltd) herein referred to as PFL OR Company is an NBFC and it qualifies for the applicability of the stated RBI circular.

The current policy outlines the guidelines on co-lending arrangement in adherence with the stated RBI circular.

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1. Piramal Finance Ltd (PFL) Framework

a) General and agreement requirements

PFL can enter in co-lending arrangement (CLA) with below mentioned categories of Regulated Entities (REs) as either 'Originating RE' or 'Partner RE':

- Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks)
- All-India Financial Institutions
- Non-Banking Financial Companies (including Housing Finance Companies)

- **NBFC/HFC's with which co-lending is proposed shall meet the below criteria:**
 - The NBFCs/HFCs shall be a registered & regulated by RBI.
 - Latest audited financials, GNPA and NNPA, External Credit Rating of the NBFC /HFC wherever available shall be considered while seeking approval for co-lending arrangement.
 - The NBFCs/HFCs shall have at least 2 years of business experience.
 - For a subsidiary of another NBFC/HFC/Bank, business experience shall be considered for the holding company.

- Any Digital lending arrangements involving co-lending shall continue to be governed by Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025 as amended from time to time.
- These norms shall not apply to loans sanctioned under multiple banking, consortium lending, or syndication
- For each such arrangement, master agreement will have to be signed off with the RE which would cover the details as follows:
 - terms and conditions of the arrangement
 - criteria for selection of borrowers
 - due diligence of the partner entities
 - specific product lines and areas of operation
 - fees payable for lending services
 - provisions related to segregation of responsibilities
 - time-frame for exchanging critical information
 - customer interface and customer protection issues
 - grievance redressal mechanism

- Originating RE under the CLA shall be required to retain a minimum 10 per cent share of the individual loans in its books.
- PFL shall adhere to the applicable accounting standards, while booking of unrealised profit under CLAs, if applicable. However, such profits, shall be deducted from CET 1 capital or net owned funds for meeting regulatory capital adequacy requirement till the maturity of such loans.
- Compliance with prescribed norms under the Reserve Bank of India of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025 as amended from time to time. Partner RE may rely upon the originating RE for "Customer Identification Process" as per the provisions of the said Master Directions on KYC.
- Roles and responsibilities of REs shall be clearly defined.
- Framework for monitoring and recovery of the loan.
- Creation of security and charge as per mutually agreeable terms.
- Asset classification and provisioning requirement, as per the regulatory guidelines applicable to PFL including reporting to Credit Information Companies. PFL shall report its share of the loan in CIC and follow the provisioning norm as under the applicable regulations for its share of the loan account.
- In the event of termination of co-lending arrangement, Both REs shall implement a business continuity plan to ensure uninterrupted service to their borrowers till repayment of the loans under the co-lending agreement.

- With regard to grievance redressal, suitable arrangement must be put in place by REs to resolve any complaint registered by a borrower.

b) Customer perspective

- Originating RE shall enter into loan agreement with the borrower which shall clearly contain the features of the arrangement and the roles and responsibilities of REs
- Originating RE shall be the single point interface for customers. Any subsequent change in customer interface shall only be done after prior intimation to the borrower.
- The loan agreement shall make an upfront disclosure regarding the segregation of the roles and responsibilities (such as sourcing, and servicing) of concerned REs, including clear identification of the entity being the single point of interface with the customer.
- The loan-agreement shall also appropriately disclose suitable provisions related to customer protection, and grievance redressal mechanism
- All required details of CLA shall be disclosed appropriately to the concerned borrower from time to time
- The final interest rate charged to the borrower shall be the blended interest rate which is calculated as an average rate of interest derived from the interest rates charged by respective REs, as per their internal lending policies and risk profile of the same or similar borrower, weighted by the proportionate funding share of concerned REs under CLA.
- Any change in rates by respective REs under CLA shall be reflected in the updated blended rate and communicated to the borrower.
- Any fees / charges payable by the borrower in addition to the blended interest rate shall be incorporated in computation of annual percentage rate (APR) and disclosed appropriately in the KFS.

c) Other operational requirements

- The CLA shall entail an irrevocable commitment on the part of partner RE to take into its books, on back to back basis, its share of the individual loans as originated by the originating RE
- The respective shares of the REs shall be reflected in the books of both REs without delay after disbursement, in any case not later than 15 calendar days from the date of disbursement.
- Originating RE shall also ensure that it transfers the loan under CLA only to the partner RE, as per the agreement and as specified in the KFS at the time of sanction of loan.
- If the originating RE is unable to transfer the share of the exposure to the partner RE under CLA within 15 calendar days for any reason, then the loan/s shall remain on the books of the originating RE and can be transferred to other eligible lenders only under the provisions of Part A of Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025
- Each RE shall maintain each individual borrower's account for their respective exposures.
- Fees/ charges payable for lending services shall depend on factors such as the nature of service provided, quantum of loan, etc. Such fees/ charges shall not involve, directly or indirectly, any element of credit enhancement/ default loss guarantee unless permitted otherwise.
- All transactions (disbursements/ repayments) between the REs relating to CLM shall be routed through an escrow account maintained with a Bank (which could also be one of the REs involved in CLA). The agreement shall clearly specify the manner of appropriation between the originating and partner RE.
- The loans originated under co-lending arrangement shall be included in the scope of internal/statutory audit within the Company to ensure adherence to their respective internal guidelines terms of the agreement and extant regulatory requirements.
- REs involved under CLA shall comply with the prescribed norms under the Reserve Bank of India of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025 as amended from time to time.. Partner RE may rely upon the originating RE for “Customer Identification Process” as per the provisions of the said Master Directions on KYC.

- REs shall be guided by the fair practice code and grievance redressal mechanism as applicable to them.

d) Reporting to Credit Information Companies (CICs):

- Each RE shall adhere to the extant requirements of reporting to CICs for their share of the loan account, as per the provisions of the Credit Information Companies (Regulation) Act, 2005 and the Rules and Regulations issued by RBI therein, from time to time.

e) Default Loss Guarantee:

- Originating RE may provide default loss guarantee up to 5% of loans outstanding in respect of loans under CLA. Provision of such default loss guarantee shall be governed mutatis mutandis in terms of Reserve Bank of India of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025 as amended from time to time.

f) Asset Classification Norms:

- REs shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the REs classifies its exposure to a borrower under CLA as SMA / NPA on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other RE to the borrower under CLA.
- REs shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.

g) Transfer of Loan Exposures:

- Any subsequent transfer of loan exposures originated under CLA to third parties, or any inter-se transfer of such loan exposures between REs, shall be strictly in compliance with the provisions with the provisions of Part A of Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025. .
- Such transfers to a third party can be done only with the mutual consent of both the originating and partner REs.

h) Approving Authority:

- Every arrangement and the respective co-lending terms can be approved by Product Governance Council.

i) Portfolio mix/Concentration caps:

Parameters around Portfolio Concentration and acceptable tolerances/triggers shall be covered under the Risk Limit Framework. These metrics shall be monitored by Risk on quarterly basis and in event of a breach it shall be highlighted to the Credit Risk Management Committee (CRMC) as part of the review process, which shall decide on continuation of business or changes in sourcing strategy or a change in the parameter as applicable.

j) Disclosures:

- PFL shall also disclose on their website, a list of all active CLA partners.
- PFL shall also make appropriate disclosures in their financial statements, under 'Notes to Accounts', relating to necessary details of CLAs on an aggregate basis. The details may inter alia include quantum of CLAs, weighted average rate of interest, fees charged / paid, broad sectors in which CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc. The disclosure shall be done quarterly.