Interest Rate and Penal / Other Charges Policy – Poonawalla Fincorp Limited

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This document is confidential in nature and supersedes Interest Rate Policy existing in the Company and should be read in conjunction with the most recent policies and procedures documented.

1. Purpose

Reserve Bank of India (RBI) vide its Circular DNBS PD/CC No.95/03.05.002/2006-07 dated May 24, 2007 advised that Board of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001 / 2008-09 dated January 2, 2009.

With a view to institute fair and transparent dealings in the lending business, the Company has adopted and put in place the following Interest Rate and Penal /Other Charges Policy parallel to the Company's Fair Practice Code, in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 as amended and updated from time to time.

RBI further advised NBFC's to adopt an appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest.

Keeping in view the RBI's guidelines as cited above, and the good governance practices being followed by the Company, the following internal guidelines, policies, procedures and interest rate model have been adopted by the Company. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other authority from time to time.

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 directed Regulated Entities to formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.

2. Interest Rate Model

Poonawalla Fincorp Limited ('Company/PFL') shall offer both fixed as well as floating rate products to its customers. Interest rate charged by PFL to its customers shall be driven by various cost, risk and strategic components including, but not limited to the following:

- Cost of funds
- Tenor and Liquidity premium
- Opex
- Credit risk premium
- Profit margin
- Business / Strategic premium
- Market/Competition benchmarking

Further, credit risk premium (CRP) applicable to each loan will depend on various factors affecting credit risk, including, but not limited to the below:

- Customer's credit score
- Customer's repayment behaviour
- Type of loan (secured vs. unsecured)
- Ticket size of the loan
- Tenor of the loan
- Income profile of the customer
- Nature of collateral (in case of secured loan) and LTV
- Occupation / Nature of business of the customer (individual or non-individual)

The factors affecting the credit risk premium may vary from product to product depending upon its characteristics. Further, customers exhibiting low risk and/or loans secured by high quality collaterals with high cover shall be charged lower interest rates vis-à-vis others.

In case of floating interest rate products, PFL may apply an internal or external benchmark and disclose the same to the customers at the time of sanction of loan. Reset frequency for such floating rate may vary from product to product and the same will be appropriately communicated to the customer.

2.1. **In case of reset of Floating Interest Rates on Equated Monthly Instalments (EMI) based Personal Loans, the following to be considered:**

i. The Company shall provide the option to the borrowers to switch over to a fixed rate.

ii. The borrower will be allowed to switch once in a financial year during the tenor of the loan.

iii. The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be as provided in this policy. PFL can exercise a default option which will be automatically exercised in case the borrower does not communicate his choice to the lender within a reasonable time given to the borrower. The default option should also be communicated to the borrowers.

iv. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by PFL from time to time.

v. The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.

vi. PFL shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan.

Note: Personal loans refer to loans given to individuals and consist of (a) consumer credit, (b) loans given for creation/ enhancement of immovable assets, and (c) loans given for investment in financial assets (shares, debentures, etc.).

2.2 Prepayment, Penal and Other Charges

Penal Charges

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, 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 to act as substitute for penal charge.

Loans remaining unpaid on due dates or non-compliance of material terms and conditions as described below, shall be charged penal charges at such rates uniform across all product portfolio as mentioned in **bold** in the respective customer agreements. Taxes, if any shall be levied additionally unless defined otherwise in Loan Agreement.

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.

The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non individual borrowers for similar non-compliance of material terms and conditions.

Subject to the compliance with the above conditions, in case the Company intends to levy penal charges at different rate/ quantum for different product portfolio, the same shall be based on the following rationale:

1. Cost incurred towards collection/ recovery.
2. Product segment, depth and liquidity of the market and possibility of reinvesting the funds received by way of prepayment into new products, at similar return on assets;
3. Use of fixed cost funds/ lines of credit/ internal allocation of resources, for funding a particular product segment;
4. Industry Trends of rate shopping by customers, on the basis of a prevailing contract with PFL, and going to a competing financier, with a view to obtain lower rates.

Any processing fees, service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower.

Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements. There shall be no foreclosure rate/ prepayment penalty charged on floating rate interest loans sanctioned to the individual borrowers as per the extant regulations.

**PFL may treat the following circumstances as noncompliance of material terms and conditions and levy penal charges: -

- Delay in creation/non-creation of security in favor of PFL.
- Non-Payment of EMI amount
- Non-compliance with Financial covenants, if any as identified in Loan Agreement.
- Any other covenant prescribed by PFL in the Loan Agreement.

**PFL shall in any scenario not charge penal charges more than 2% per month whether singly or cumulatively for non-compliance of material terms and conditions as specified in this Policy, Provided, if schedule of charges including penal charges, for any products is approved by the Board/ Board Committee, the same shall apply;

**The Business Head and /or Chief Business Officer shall be severally authorized to grant waiver of penal charges or prepayment penalty as and when deemed fit.

**Note: The compliance of the same for new customers shall be ensured w.e.f 01 April 2024 and for existing customers w.e.f. 30 June 2024. For existing customers, the Company shall continue to levy penal interest as communicated to the borrowers/customers until 29 June 2024.

Bounce Charges

Retail and New Portfolio

(i) Revised charges to be applied to below product groups (detailed in Annexure A).

Product Group	Proposed (₹)
Insta Loan	1200
PL STP	1200
PL**	1500
BL***	1500
POC****	1500
CV*****	1500
CD$^{\alpha}$	500
LAP^	2000

**	Including all other unsecured loans of and similar to personal loans
***	Including all other unsecured loans of and similar to business loans, MEML loans
****	Including light vehicle loans of all nature
*****	Including CV,CE, Health Equipment loans
α	Charges will be applied to Parent loan only, as single instrument is common for Parent + Child
^	Including Rent Receivable loans

Any addition of a new product in future will be governed by the above mentioned Bounce charges

(ii) Repayment Instrument Bounce Charges (Cheque/NACH/or any other mandate) shall be levied only on the first instance of dishonor. No charges shall be levied for any subsequent re-presentations of the same instrument.

(iii) No bounce charges to be applied / levied for payment received on same day as presentation date, in event instrument gets returned at presentation time.

This is applicable to all products and schemes.

Other Products

(i) For other products including Gold Loan the earlier bounce rates of Rs.500 to continue.
(ii) Bounce charges on representations to continue.
(iii) Direct Assignment pools and NPA sold pool to continue as per the agreement executed for the charges in force at the time of such transactions.

The effective implementation period for increase in Bounce policy is set for no later than 30th November, 2026 comprising of process operationalization and minimum 30 days prior notification to borrowers, in accordance with Compliance requirements for new loans as well as existing loans

The effective implementation period for system changes in differential application of above Bounce charges policy is set for no later than 31st March, 2027 comprising of comprehensive system development across all LMS and Operations systems & utilities.

Foreclosure/Prepayment Charges, Other charges

Foreclosure/prepayment charges shall not be levied in cases involving repossessed secured assets, including where the asset is sold and the loan account is closed, the account is closed through a mutually agreed settlement and the asset is returned to the borrower, or the repossessed asset is released while the loan account continues. Such charges shall not form part of the release amount, recoverable dues, settlement calculations, profit or loss assessment on asset disposal, receivable balances, or account closure/termination computations. Appropriate controls shall ensure exclusion of these charges throughout the asset disposal, recovery, accounting, and closure process.

Other Charges

Charges for Repossession, Valuation, Auction, Legal etc will not be debited to the loan account unless customer is consenting to pay.

3. Disclosures

As per the extant regulations the following disclosures shall be made to the borrower:

a. There shall be appropriate disclosure of the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated in the sanction letter.
b. The annualized rate of interest shall be disclosed to the customers.
c. Any change in the interest rate or other charges shall be made prospectively and the same shall be adequately disclosed in the loan agreement.
d. The rate of Interest for various class of assets as revised from time to time shall also be displayed on Company's website.
e. Approach for gradation of risk has been elaborated in our Fair Practice Code.
f. The quantum and reason for penal charges shall be clearly disclosed by PFL to the customers in the loan agreement and most important terms & conditions/ Key Fact Statement (KFS) as applicable, in addition to being displayed on the website under Interest rates and Service Charges.
g. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

4. Administration, Amendment and Review of the Policy

The Board or the Committee shall be responsible for the administration, interpretation, application, and review of this Policy. The Committee shall also be empowered to bring about necessary changes to this Policy, if so, required at any stage at its own discretion or with the concurrence.

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Annexure A

The excel is attached for the detailed product wise and scheme wise charges.



Annexure A detailed.xlsx