

INTEREST RATE POLICY

This document is intended to present the policy of PHL Fininvest Private Limited (“PHL/Company”) for dealing with customers [borrowers], in respect of determining the pricing for loans/ credit facilities given by PHL, 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, in conformity with the stipulations of the directives by Reserve Bank of India (RBI), the Board of Directors of PHL have adopted the Interest Rate model which outlays the internal procedures in determining interest rates as per the requirement of RBI.

Reserve Bank of India had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 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. This was considered in view of the several complaints RBI received regarding levying of excessive interest and charges on certain loans by NBFCs.

While reiterating these guidelines vide their circular DNBS (PD) C.C. No. 133 /03.10.001/ 2008-09 January 2, 2009, RBI further advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rate of interest.

Keeping in view the RBI’s guidelines as above, the following internal guiding principles and interest rate model are therefore laid out that need to be taken cognizance of while determining interest rates and other charges. The policy shall be applicable to all the financial products of the Company.

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.

- 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.
- These rate of interests to be charged for loans and advances will be based on the cost of funds, margin and risk premium.
- The rate of interest is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced.

- The interest rate charged will also take into consideration costs 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.
- 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.

Approach for Gradation of Risk

The lending rate of interest applicable to each loan account will be arrived at after taking into consideration multiple parameters such as class of asset, type of asset, tenure, profile of the borrower, repayment capacity of the borrower based on the cash flows, loan to value of the asset financed, type of collateral security provided by the borrower, past repayment track record of the borrower and end use of the asset, period of relationship with the borrower, overall yield, etc. The information shall be based on borrower inputs and field inspection by officials of the Company.
