

## **Shapoorji Pallonji Finance Private Limited**

### **Interest Rate Policy**

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### **PREAMBLE**

Shapoorji Pallonji Finance Private Limited (“The Company” or “SPFPL”) is registered with the Reserve Bank of India (‘RBI’) as a Non – Banking Financial Company not accepting or holding deposits. SPFPL is committed in conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

This document is intended to present the Policy of SPFPL in dealing with customers [borrowers], in respect of determining the pricing for loans given, in a transparent and open manner.

The Reserve Bank of India (RBI) vide its Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 and as amended (hereinafter referred as RBI Directions), has directed all NBFCs to make available the rates of interest and the approach for gradation of risk on web-site of the companies. In compliance with the requirements of the RBI Regulations mentioned above and the Fair Practices Code adopted by the Company, the Company has adopted this Interest Rate Policy broadly outlining the Interest Rate Model and the Company’s approach of risk gradation for its lending business.

The approach is to evolve a standard for pricing of loans with a view to ensuring that pricing is fair and transparent.

Given that the business model of SPFPL focuses on providing credit / finance only to customers meeting the credit eligibility standards of SPFPL for varying tenors, the interest rate applicable to each loan account, within the applicable range is assessed on a case to case basis, based on the evaluation of various factors, as detailed hereafter.

## **Interest Rate**

The interest rate applicable to a particular loan will be determined by reference to a number of factors, including:

1. **Terms of the Loan** - The interest rate charge will depend on the term of the loan – structure, interest payment cycle (viz monthly, quarterly, yearly, bulleted), principal repayment terms, security provided, moratorium period (if any), etc.
2. **Tenor of the loan** – Tenor of the loan is an important element of determining pricing of a loan. A short term loan (typically upto 1 year) is priced based on short term rates and a long tenured loan is priced based on long term rates.
3. **Internal and External Costs of Funds** – Internal cost of funds being the expected return on equity issued; is also a relevant factor and External cost of funds is cost of funds at which the Company will be able to borrow based on whether the loan is a short term loan or long term loan.
4. **Margin** - The interest rate charged will also take into account costs of doing business. Factors such as the complexity of the transaction, capital risk weightage, the size of the transaction, location of the borrower and other factors that affect the costs associated with a particular transaction should be taken into account before arriving at the final interest rate.
5. **Credit Risk** - As a matter of prudence, credit cost should be factored into all transaction basis probability of default and expected loss. This cost is then reflected in the final interest rate quoted to a 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. **Other Factors** - Matching tenor cost, market liquidity, refinance avenues, RBI Policies on credit, offerings by competitors, market reputation, profile of the customers, stability in earnings and employment, subvention and subsidies available, deviations permitted,

further business opportunities, group strength, overall customer yield, nature and value of collateral / security (ies), past repayment track record, external ratings, industry trends, switchover options, end use of the asset, etc.

Indicative Rates (for fixed rate loans) which may be charged to the customers:

Lending Type	Low Risk	Medium Risk	High Risk
	Interest Rate (Annualized)		
Real Estate	11-13%	13.1-16%	16.1-21%
Supply Chain Finance	9-11%	11.1-14%	14.1-17%
Other Corporate Loans	10-12%	12.1-15%	15.1-18%

Notes:

1. Above are indicative ranges and the actual pricing will depend on the cost of funds, operations cost, credit risk premium, tenor premium and margins etc.
2. Cost of funds will be the rate at which the Company is expected to source its funds including all incidental costs like Stamping, Rating cost, Brokerage etc.
3. The Company will not charge usurious rate of interest. The overall pricing to the customer will be reasonable based on the above factors mentioned and market practice.

### **Procedural Aspects**

1. The interest rate for each loan would be decided by approving authority and may be evaluated on case to case basis and above are only indicative rates;
2. The Company will communicate the same to its customers (borrowers) vide sanction letter;
3. Sanction letter will also contain details of the default charges / penal charges as approved for the individual credit and other fees and charges payable by the customers in relation to their loan account and method of application thereof. The policy including detail provisions on penal charges pursuant to RBI Directions is provided in the [‘Annexure A’](#) to this Policy.

4. Terms and conditions and other caveats governing the loan to be given to the Customers / Borrowers of SPFPL.
5. In case of any change in any of the terms and conditions / caveats / any information which is relevant from the point of view of the transaction (including annualised rate of interest), the same shall be conveyed to the customer either as an addendum / additional annexure to relevant loan documents. However all the relevant formalities (e.g. further legal documentation, approval of customer, etc.) pertaining to the same shall be documented and a copy of the same shall be sent to the customer. The same may be communicated through electronic media or any other form of communication as may be mutually agreed between SPFPL and the Customers / Borrowers of the Company. The acknowledgement of the receipt of the addendum / additional document shall also be preserved on the records by the Company.
6. All the above information shall be in writing / electronic media or any other form of communication shall be duly approved / accepted by the customer / borrower of SPFPL and certified by an authorized Official of the Company and would be documented in a chronological manner for future reference.

#### **Content on the website**

Appropriate disclosure regarding this Interest Rate Policy shall be displayed on the website of SPFPL as per the RBI Regulations.

#### **Review of the Policy**

The Board of SPFPL or its Committee authorised in this regard shall review this Policy from time to time atleast once in a financial year.

#### **Limitation**

In the event of any conflict between the provisions of this Policy and of the RBI Directions, Guidelines, Circulars, Notifications, etc, the RBI Directions, etc shall prevail over this Policy.

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## Policy on Penal Charges

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### 1. Background

Shapoorji Pallonji Finance Private Limited (SPFPL / the Company), is registered with the Reserve Bank of India (RBI) as Non-Banking Financial Company not accepting public deposits and in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (hereinafter referred as RBI Scale Based Framework) has been classified as Non-Banking Financial Company not accepting public deposit-Investment and Credit Company-Middle Layer (NBFC-ND-ICC-ML). The Company is engaged in the business of financing and lending mainly Supply Chain Financing (including Vendor Financing) and Corporate Structured Lending with a focus on providing innovative and structure debt solutions to Corporates, Real Estate Financing.

### 2. Objective

RBI has issued Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (RBI Directions) *inter alia* Fair Lending Practices, Penal Charges in Loan Accounts, etc.

This Policy is to put in place governing principles in the determination of penal charges. Penal charges are levied with an intended objective to drive credit discipline in the conduct of the account and such charges shall not be used as a revenue enhancement tool over and above the contracted rate of interest.

### 3. Effective Date

This Policy on penal charges shall apply to loans sanctioned by Shapoorji Pallonji Finance Private Limited in accordance with the following guidelines:-

- For all loans sanctioned on or before December 31, 2025, penal charges will be governed by the existing framework, also referred to as the "old regime," as specified in paragraph 5(I) of this policy.
- For loans sanctioned on or after January 1, 2026, penal charges will be determined and applied according to the revised framework, referred to as the "new regime," as detailed in paragraph 5(II) of this policy.
- In cases where loans are sanctioned under the old regime, the application of penal charges as per the new regime shall take effect at the time of review, renewal, revalidation, enhancement, or similar actions undertaken by the Business Team in conjunction with control groups.

### 4. General Principles

Penal charges for the purpose of this Policy represent charges/ penalty levied for non-compliance of material terms and conditions of loan contract by the borrower. Material terms and conditions shall mean the Terms and Conditions of the Loan which have been defined / classified as 'Material Terms and Conditions' in the Term Sheet, Sanction Letter, etc; in

accordance with the Board approved Product Policy and Credit Policy and agreed between the Company and the Borrower. Further, the Penal Charges shall not be levied in the form of "Penal Interest" that is added to the rate of interest charged on the loan i.e. contracted rate of interest.

There shall be no capitalisation 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. The Company shall not introduce any additional component to the rate of interest.

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 (Supply Chain Finance, Corporate Loans; etc;).

The quantum and reason for penal charges shall be clearly disclosed to the customers in the Sanction Letter, Term Sheet, etc;. Any change in this Policy (on account of change in regulation or otherwise) shall be communicated to the borrower.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to the borrowers, the applicable penal charges shall be communicated. Further, in case of instance of levy of penal charges, the penal charges along with the reason thereof shall also be communicated.

The applicable Penal charges shall be clearly disclosed to the Borrower in the Sanction Letter, Term Sheet, Financing Documents, etc;

## 5. Product Level Penal Charges

SPFPL offers following categories of loans:-

- Supply Chain Financing
- Corporate Loans

Penal Charges shall be levied for non-compliance with the material terms and conditions of the Loan Contract. Default in repayment by the Borrower shall also be considered as non-compliance of material terms and conditions of Loan Contract and penalty, shall be levied in the form of penal charges by the Company on the amount of default. The penal charges will be computed as:

### I. Old regime

For the loan sanctions upto December 31, 2025:-

Product	Penal Charges
Supply Chain Financing	6% p.a.
Corporate Loans	6% p.a.

### II. New regime (effective January 1, 2026)

For the loan sanctions on and after January 01, 2026 :-

Product	Penal Charges
Supply Chain Financing	12% p.a.
Corporate Loans	12% p.a.

In case of loans sanctioned under old regime, the applicability of penal charges under new regime shall be applicable at the time of review / renewal/ revalidation / enhancement, etc undertaken by the Business Team along with control groups.

Waiver of Penal Charges may be considered for genuine cases like operational difficulties of the borrower which led to such delay in payment / irregularity / non-compliance of material terms and conditions (e.g. natural calamity, suspension in business, etc.) Following Factors shall also be considered for granting waiver of penal charges:-

- Financial Condition / Performance of the Borrower
- Conduct of Loan Account
- Security Available for enforcement, if any

**6. Review/ Amendment**

This Policy shall be a subset of the Interest Policy of the Company. The Policy shall be reviewed by the Board of Directors on an annual basis. Further, any amendment to the Policy shall be done with the prior approval of the Board of Directors.

**7. Limitation**

In the event of any conflict between the provisions of this Policy and of the RBI Directions, Guidelines, Circulars, Notifications, etc, the RBI Directions, etc shall prevail over this Policy.