**Product Pricing Policy**

**Introduction**

RBI vide Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 - RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26 dated 28th November 2025, as amended from time to time, under the Fair Practices Code advised NBFCs to lay down an appropriate principles and procedures so that usurious interest, including processing and other charges are not levied on loans and advances and charges to be levied will be based on the principle of reasonability.

**HDB Customer Segment**

HDB caters to the growing needs of aspirational India by providing finances to different customer segments. HDB offers suite of products and financial solutions to address the requirements of its target customers, segment and plays an important role in enhancing financial inclusion.

**Some of the customer characteristics are**

1. Income Criteria – The middle market customers typically have lower income in comparison to the prime customers targeted by commercial banks. HDB's product suite includes unsecured loans, secured loans and loans for purchase of income generating assets such as commercial vehicle and construction equipment. Inconsistent and variable cash flow is a major characteristic of middle market customers.

2. Credit History - This segment may have little or no previous credit history with organised lenders. This requires detailed credit appraisal for relatively small value loans. It will be appropriate to state that this segment will have higher credit risk and hence, higher credit losses as compared to prime customers targeted by Banks.

3. Technology – HDB extends loan through digital mode including web applications and mobile app to enhance accessibility and cater to diverse customer preference.

**Business Model**

HDB has a differentiated business model to deliver efficiencies and contain risk based on the requirements of the target segment. Our business has the following characteristics:

1. Branch based lending with the branches being located in customer catchment areas that are easily accessible by customers.
2. Sales Finance and Vehicle Loans are also offered at Point of Sale (Dealership / Retail Counter).
3. The Company also provides an option to customers to apply online. This makes the loan application process much faster. Loans are structured based on customer needs, the cash flows and assets of the customer.

4. Higher operating costs are involved to deliver loans using personal touch, lower average loan size as compared to equivalent products offered by banks.
5. In some product categories, Loans are sanctioned after a personal discussion by credit team to understand income and cash flows. Hence an element of judgment is involved in assessing the credit worthiness of the applicant.
6. The company may offer loans at fixed or floating rate depending on product, collateral, customer profile & tenure.

The product-wise interest type allocation is tabulated below.

| # | Products Interest type | Interest type |
|---|---|---|
| 1 | Loan Against Security | Floating / Fixed |
| 2 | Loan Against Property | Floating / Fixed / Combo* |
| 3 | Commercial Vehicles Loan | Floating / Fixed / Combo* |
| 4 | Loan against Gold | Fixed |
| 5 | Loan Against Rent Receivables | Floating / Fixed / Combo* |
| 6 | Construction Equipment Loan | Floating / Fixed / Combo* |
| 7 | Auto Loans | Fixed |
| 8 | Enterprise Business Loan | Floating / Fixed / Combo* |
| 9 | Unsecured Loan (Personal loan, Business Loan etc) | Floating / Fixed / Combo* |
| 10 | Two-Wheeler loan | Fixed |
| 11 | Sales Finance (Consumer Durables, Digital Products, Lifestyle Loans, Express loans) | Fixed |
| 12 | Tractor Loan | Fixed |
| 13 | Micro Loan | Fixed |

*Combo pricing refers to loans where interest is charged at fixed rate for a initial tenor and interest is charged at floating rate for the remaining tenor of a loan. The tenor for fixed and floating interest rates are determined at the time of loan sanction and conveyed via a sanction letter to the borrower.

The interest is charged at floating rate for the applicable products are benchmarked to Monthly Reference Rate (MRR) / Floating Reference Rates (FRR). Company has discontinued offering fresh loans on Floating Reference Rate basis.

For all EMI based floating rate loans, following instructions will be adhered to:

i. At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower through appropriate channels

ii. At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over & number of times switchover to a fixed rate be allowed 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 per the Charges Policy of the Company.

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 the Company 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. The Company 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.

**Principles of Pricing**

- Risk-Adjusted Pricing: Pricing of loan must calibrate to the borrower's credit profile. High-risk exposures require a risk premium, while low-risk profiles are rewarded with competitive interest rate to drive high-quality acquisition.
- Strategic Alignment: Pricing must balance aggressive growth and customer retention with the fundamental requirement of meeting risk-adjusted return on capital (RAROC) targets.
- Customer-Centric Incentives: Pricing should actively reward "good" financial behaviour (e.g., high credit scores, low LTV) to foster long-term loyalty and responsible lending.

**Our Pricing Strategy**

1. The ROI to the customer is determined based on cost coverage and reasonable returns to the organisation as measured through a targeted return on assets (ROAE) and return on equity (ROE) to its shareholders.
2. Pricing strategy is primarily based on cost of funds, operating costs, expected credit losses and investments required to build a strong model.
3. We will offer both fixed rate and floating rate loans to our customers depending on the tenor / Product.
4. Monthly Reference Rate (MRR) – The MRR is reset every month.
5. Floating Reference Rate (FRR) – The FRR is reset every quarter.
6. The experience of the company has been that its target segment prefers fixed rate loans as this gives them predictability of their liabilities. However, the Company also offers products such as loan against property (LAP) for longer tenures - up to 180 months. To ensure that the Company does not carry undue interest rate risks, loans of tenor of over 60 months will be typically offered as floating rate loans. This will help the Company to manage its Asset-Liability gaps and help it in offering competitive pricing to customers.

7. The Company will also offer a Combo pricing (Initial fixed rate and then floating rate) product that helps address market uncertainties.
8. The interest rate policy applies to multiple loan structures, including EMI loans, Interest-only payment loans, Step-up loans, and Step-down loans. The company's offering in the market will be in line with the offering from other key players in this segment and reasonable as compared to other informal sources of funds that the targeted segment has availed in the past.
9. As certain costs are fixed irrespective of the size of the loan, the company benefits from economies of scale when customers take a loan with a bigger ticket size. Hence customers, subject to the assessed credit risk, will be charged lower rates for higher value loans.
10. The floating rate of interest for the applicable products are benchmarked to the reference rate determined by the company which is calculated considering blended benchmark rate i.e., Repo, T-Bill, MCLR, etc. direct cost, expected margin and other operational cost incurred less processing fees. The FRR/ MRR is the reference rate determined by the company considering the direct cost, expected margin and other operational cost of the borrowing less processing fees in addition to the external Interest Rate.
11. Our Master Pricing Framework document has the pricing rationale and factors affecting the risk grading of customers.
12. Factors affecting Pricing for <u>all</u> products
    a. Loan Amount
    b. Loan Tenor
    c. Credit History
    d. Existing Relationship

    Additional Factors affecting Pricing for each Product as listed below in the table

| **Product** | **Additional Factors considered for Pricing** |
|---|---|
| Unsecured Business Loans | Location of the Borrower (City Tier), Audited Financials / GST Status |
| Salaried Personal Loans | Job / Employer Classification, Salary Band |
| Gold Loans | Ornament Type, Gold Purity |
| Vehicle Loans (CV, CE, TRL, TW) | Asset Vintage, Asset Type, Customer Segmentation, Asset OEM Partnership |
| Sales Finance (CD, DPL, LSL) | Asset OEM Partnership |
| LAP / LARR / EBL | Applicant Profile, Collateral Type, Collateral Location |

The range of Interest rates and factors affecting risk gradation will be uploaded on the HDBFS website. Link https://www.hdbfs.com/customer-services/interest-rates - Applicable indicative interest rates. Customer will be able to get information on effective rate of interest charged, all fees and charges and the grievance redressal system from the Company's web site. The same will be prominently displayed in all its offices and in the literature issued by it.

| Product | Interest Rate (per annum) |
|---|---|
| Commercial Vehicles Loan | 9.50% to 26.00% |
| Construction Equipment Loan | 8.00% to 24.00% |
| Tractor Loan | 12.50% to 24.00% |
| Auto Loan | 9.50% to 26.00% |
| Two-Wheeler Loan | 12.00% to 32.00% |
| All Unsecured Loans | 10.00% to 35.00% |
| Loan against Gold | 10.50% to 25.00% |
| Loan Against Securities | 10.00% to 18.00% |
| Micro Loans | 20.00% to 26.00% |
| Consumer Durable Loan | 10.00% to 43.00% |
| Digital Product Loan | 10.00% to 43.00% |
| Lifestyle Product Loan (including Express Loans - EXPL) | 10.00% to 43.00% |
| Loan Against Property / Rent Receivables, Enterprise Business Loans | 8.75% to 19.00% |
| Relationship Personal Loan | 18.00% to 36.00% |
| Salaried Personal Loan | 11.00% to 24.00% |
| Secured Personal Loan | 13.00% to 30.00% |
| Business Loans | 13.00% to 30.00% |
| Other Unsecured Loans (including Digital loans, Fintech partnership loan etc) | 14.00% to 42.00% |

The rate indicated above is the Interest rate on the loan. The Actual Annualised percentage rate (APR) may vary depending on the Processing fees and other charges as applicable for a product / borrower. The APR will be communicated to the customer via the KFS.

The Company has a charges policy which lists the various fees and charges. These are also available on the website of the Company.

The Interest rate for individual loans to borrowers will be within the above min-max ranges. Deviations beyond these limits are not generally permitted, however, deviations, if any in exceptional circumstances will be ratified by the Managing Director. The Company, at the next Board meeting, will submit a revised Interest policy incorporating the changes ratified by the Managing Director.