

PFSP/L/FY2025-26/2.0

## PAHAL FINANCIAL SERVICES PRIVATE LIMITED

### CO-LENDING POLICY

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## **CO-LENDING POLICY**

### **1. Introduction**

Pahal Financial Services Private Limited (hereinafter referred to as “Pahal” or “the Company”) has adopted this revised Co-Lending Policy to define the governance framework, processes, and controls for co-lending partnerships with Banks and Non-Banking Financial Companies (NBFCs).

This policy shall be read in conjunction with RBI’s Guidelines on Co-Lending dated November 05, 2020, as well as the applicable instructions on Digital Lending, Fair Practices, Outsourcing of Financial & IT Services, KYC/AML, and Customer Protection, as amended from time to time.

### **2. Objective:**

The objective of this policy is to ensure a structured, transparent, and compliant approach to co-lending partnerships that facilitate credit flow to the underserved and unserved sectors while ensuring robust risk management, customer protection, and adherence to regulatory expectations.

### **3. Applicability & Scope:**

The policy shall be applicable to:

1. All existing co-lending arrangements with Banks and NBFCs.
2. All new co-lending partnerships and products launched under the Co-Lending Model (CLM).
3. All business units, departments, and digital platforms involved in origination, servicing, or collection of co-lent loans.

### **4. Threshold:**

The Managing Directors are jointly and severally authorised to approve the Co-Lending arrangements and exposure taken by the Company. The summary of the same shall be put to the Board from time to time.

### **5. Eligibility Criteria:**

All the Banks/NBFCs authorized by RBI for business operations in India are eligible for Co-Lending. The Master Agreement shall be entered with the co-lending banks/NBFCs for the periods mutually agreed between the banks/NBFCs.

### **6. Governance & Oversight**

The governance of co-lending activities at Pahal is anchored in a multi-tiered oversight framework designed to ensure accountability, transparency, and compliance. The Board

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of Directors provides overall strategic direction and periodic review of co-lending operations, while senior management is responsible for implementation and monitoring in line with approved policies.

Functional heads across risk, compliance, finance, information security, and business operations ensure that all co-lending arrangements adhere to regulatory requirements, internal risk appetite, and partner obligations. The risk and compliance functions oversee due diligence, credit appraisal standards, and regulatory adherence, whereas the finance and technology teams ensure accuracy in financial reporting, reconciliation, and data integrity. Internal Audit independently evaluates the adequacy and effectiveness of controls, fund flows, and partner management, providing assurance to the Board and Audit Committee on the robustness of the co-lending framework.

### **7. Partner Selection and Due Diligence**

- Prior to onboarding, Pahal shall undertake comprehensive due diligence covering:
  - Regulatory authorization, governance, and track record.
  - Financial performance, CRAR, NPA levels, and audit observations.
  - Credit appraisal and operational processes.
  - Data security, IT infrastructure, and grievance redressal capabilities.
  - Adverse supervisory or media observations.
  - The due diligence report shall be reviewed by the risk and compliance team and approved by the Managing Directors before signing the Master Agreement.

### **6. Process:**

The process will involve the following process:

- a) Identification and evaluation of the Co-Lending Partner
- b) Finalization of the credit policy for co-lending and post-sanction obligations of the parties.
- c) Entering into master agreements with the identified Co-Lending Partner.
- d) Building tech integration and capabilities with the Co-Lending Partner as required.
- e) Opening of the escrow account with the Co-Lending Partner, as mutually acceptable.
- f) Go-live with the Co-Lending Partner.

### **7. Delegation:**

The Business units shall be responsible for formulating the processes and policies related to co-lending arrangements, including any deviations under this CLM Policy. These shall be reviewed and verified by the Risk, compliance and finance function before being submitted for approval by the Managing Directors.

### **8. Features of the Arrangement:**

#### **a. Standard Operating Process:**

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A detailed Standard Operating Process (SOP) would be created in discussion with the partner lenders following the co-lending Master Agreement being entered into, to suitably detail the Credit Appraisal process within SOP. Pahal and the Co-Lending partner shall adhere to applicable KYC/AML guidelines, as prescribed by RBI and any other regulations as stipulated by RBI from time to time.

**b. Sharing Risk & Rewards:**

1. Risk and Rewards shall be shared basis the mutually decided agreements between the Co-Lending Partners prior to any loan disbursements.
2. The risk-sharing ratio shall be mutually agreed and documented in the Master Agreement.
3. Both parties shall jointly define the credit appraisal parameters, borrower eligibility criteria, and documentation standards.
4. Any deviation from agreed underwriting norms must be jointly approved and recorded.
5. Borrower classification and NPA recognition shall be uniform across both partners, in line with respective regulatory requirements.

**c. Operational Framework**

- Standard Operating Procedures (SOPs): A detailed SOP shall be jointly developed with each co-lending partner to define the loan origination, disbursement, servicing, collection, and reconciliation process.
- Fund Flow Mechanism: A joint escrow account shall be maintained for all co-lending transactions.

**d. Technology and Data Security**

- All integrations with partner systems shall comply with RBI's IT Outsourcing Directions.
- API connections shall be encrypted and subject to annual VAPT audits.
- Data sharing shall be on a need-to-know basis with complete audit trails.
- Any cyber incident shall be reported to senior management and, if material, to RBI within stipulated timelines.

**e. Customer Protection and Grievance Redressal**

- A unified Key Fact Statement (KFS) shall be provided to each borrower.
- Borrowers shall be informed of both lenders' roles, loan share, and contact details.
- Customer consent shall be obtained prior to data sharing or digital onboarding.
- Both lenders shall maintain grievance redressal mechanisms and appoint Nodal Officers for co-lending-related issues.

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- Complaints unresolved within 30 days may be escalated to the RBI Ombudsman or CEPC.

**f. Accounting, Audit and Monitoring**

- Each party shall follow its independent accounting, provisioning, and reporting requirements.
- Statutory auditors shall certify co-lending portfolio integrity annually.
- Internal Audit shall cover portfolio performance, partner compliance, and system integration.
- Quarterly partner performance reviews shall be presented to the Board.

**g. Exit and Contingency Framework**

- Triggers for termination include regulatory breaches, persistent audit observations, or deterioration in partner asset quality.
- A joint exit plan shall ensure continuity of customer service and repayment collection.

**h. Commercial Arrangement**

- Interest rate based on the respective interest rate and proportion of risk sharing; an all-inclusive rate is to be offered to the customer.
- Other costs/charges: The processing fee and other costs and charges are to be shared in a ratio as agreed between the parties and listed in the Master Agreement.

**i. Unified Account Statement:**

- The customer loan statement is maintained at the individual customer level by the parties for their respective share.

**j. Change in Loan Limits:**

- Any change in the loan limits shall be subject to the mutual consent of both the parties.

**k. Credit Bureau Reporting:**

- Each of the parties shall carry out their respective reporting requirements including reporting to the Credit Information Companies, under the regulatory guidelines for their portion of the loan.

**l. Assignment:**

- Any assignment of loans by any of the parties can be done as per the terms of the Master Agreement in accordance with the circular.

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Both the parties shall formulate a business continuity plan to ensure uninterrupted service to the customers till the repayment of the loan.

**9. Review of the CLM Policy:**

The CLM policy shall be reviewed once in every 3 years by the Board unless required to be reviewed earlier under the regulatory/statutory requirement.

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