

POLICY FOR PROVIDING LOANS TO NBFCs

(For Base Layer NBFC – Investment and Credit Company)

1. Preamble

The Reserve Bank of India (RBI) regulates Non-Banking Financial Companies (NBFCs) to ensure financial stability and prudent lending. Thirukochi Fincap Private Limited ("the Company"), as a registered *NBFC-Base Layer (NBFC-BL)*, may extend financial assistance to other NBFCs. This policy establishes a framework to manage credit, regulatory, and concentration risks associated with such exposures, ensuring compliance with *RBI's Scale Based Regulation (SBR) and Section 186 of the Companies Act, 2013*.

2. Regulatory background

This transaction and policy are governed by:

- *RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023.*
- *RBI Guidelines on 'Loans and Advances – Regulatory Restrictions' (October 2022).*
- RBI Prudential Norms on Income Recognition, Asset Classification, and Provisioning (IRACP).
- *Section 179, 180, 185, and 186 of the Companies Act, 2013, read with Companies (Meetings of Board and its Powers) Rules, 2014.*
- *Master Direction – Know Your Customer (KYC) Direction, 2016.*

3. Objective

The primary objectives are:

- To diversify the lending portfolio while ensuring *capital preservation and liquidity management*.
- To ensure all inter-corporate loans are within the *prescribed ceilings under the Companies Act and RBI exposure norms*.
- To maintain high standards of credit quality and regulatory transparency.

4. Scope

This policy applies to all forms of financial assistance to NBFCs, including Term Loans, Working Capital, and *Bridge Loans*.

Note: As per RBI Directions, NBFC-BLs shall not provide loans for investments in other companies or for subscribing to IPOs of other NBFCs

5. Eligibility criteria

Loans shall be granted only to NBFCs satisfying the following:

- Valid Certificate of Registration (CoR) from RBI.
- Operational history of at least 3 years with *audited track records*.
- *Minimum Capital to Risk-Weighted Assets Ratio (CRAR) as prescribed by RBI.*
- *Net Owned Fund (NOF) meeting the current regulatory minimum (currently ₹10 Crore for most NBFCs).*
- Not appearing on the *RBI Caution List, ECGC Default List, or Wilful Defaulter lists of CICs.*

6. Permissible Purpose of Loan

- On-lending to specific priority sectors or retail segments.
- General Business Expansion and Working Capital.
- *Prohibited: No loan shall be granted to an NBFC for the purpose of further lending to the Company's own directors or their relatives (Section 185 compliance).*

7. Credit appraisal & due diligence

In addition to financial analysis, the Company shall evaluate:

- *Asset-Liability Management (ALM):* Analysis of the borrower's liquidity buckets.
- *Leverage Ratio:* Total Debt to Equity of the borrowing NBFC.
- *Quality of Portfolio:* Scrutiny of the borrower's Gross and Net NPA trends under the *90-day overdue norm*.
- *Bureau Reports:* Commercial Credit Information Reports (CIR) from four CICs.

8. Documentation & regulatory requirements

The following shall be mandatory before disbursement:

1. *Certified True Copy of Board Resolution (Sec 179(3)) of the Borrower.*
2. *Certificate from a Chartered Accountant confirming compliance with Section 186 of the Companies Act (Debt-Equity and Limits).*
3. *Declaration that the borrower is not a "Group Company" or "Related Party" as per AS-18/Ind AS 24, unless specifically approved.*
4. *AUM breakup specifically showing the quality of underlying security.*

9. Security & charge creation

- **Charge Registration:** All secured loans must have a charge registered with the MCA (Form CHG-1) within *30 days of creation*.
- **CERSAI:** Mandatory registration of security interest with *CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India)* for all movable/immovable assets and book debts.
- **Security Cover:** A minimum security cover of *1.25x (or as decided by the Credit Committee)* shall be maintained throughout the tenure.

10. Regulatory restrictions (RBI & Companies act)

- *Section 186 Compliance: The Company shall not provide any loan exceeding 60% of its paid-up share capital, free reserves, and securities premium account OR 100% of its free reserves and securities premium account, whichever is more, unless a Special Resolution is passed in a General Meeting.*
- *Loans to Directors: In line with RBI's 2022 circular, loans to Directors of the Company or Directors of other NBFCs (where the Company's directors are interested) shall be subject to a ceiling of ₹5 Crores and require Board approval.*

11. Exposure limits

- **Single Borrower:** Exposure to a single NBFC shall not exceed *15% of the Company's Capital Base* (Tier I + Tier II).
- **Group Exposure:** Exposure to a group of connected NBFCs shall not exceed *25% of the Capital Base*.

12. Interest rate & pricing

- Interest rates shall be determined using a *Risk-Based Pricing Model*.
- *The "Spread" shall account for the cost of funds, operational expenses, and a risk premium based on the credit rating of the borrower.*
- *The Company shall comply with the "Fair Practices Code" regarding the disclosure of interest rates and any changes therein.*

13. Approval authority

Loan Amount	Approval Authority
Up to ₹3 Crores	Credit Committee
Above ₹3 Crores	Board of Directors
<i>Beyond Sec 186 Limits</i>	<i>Board of Directors + Shareholders (Special Resolution)</i>

14. Monitoring & default management

- **Quarterly Review:** Quarterly submission of *Provisional Financials and Asset-wise NPA classification* by the borrower.
- **End-use Verification:** Statutory Auditor’s certificate from the borrower confirming the end-use of funds.
- **Early Warning Signals (EWS):** Any downgrade in credit rating or breach of financial covenants shall trigger an immediate review.

15. Policy review

This policy shall be reviewed *annually* or upon any material change in the *RBI Scale Based Regulation framework*.

16. Effective date & approval

This policy was approved by the Board of Directors of **THIRUKOCHI FINCAP PRIVATE LIMITED** at its meeting held on **12/03/2026**.

Effective Date: 12/03/2026

Version: 1.0