CREDIT FACILITIES POLICY

(For Base Layer NBFC – Investment and Credit Company)

1. Preamble

This Credit Facilities Policy ("Policy") establishes the comprehensive framework governing the sanction, disbursement, monitoring, review, restructuring, and recovery of credit facilities extended by the Company.

This Policy is framed in accordance with:

- Directions and prudential norms issued by the Reserve Bank of India *(RBI)*.
- RBI Scale Based Regulation (SBR) Framework *(Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023)*.
- RBI (NBFC – Income Recognition, Asset Classification and Provisioning) Directions.
- RBI (NBFC – Fair Practices Code) Directions.
- Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025 (Updated as on February 13, 2026).
- *Applicable provisions of the Companies Act, 2013, including Section 179(3) regarding the Board's power to grant loans, and Section 186 (subject to NBFC exemptions).*

The Policy aims to ensure responsible lending, preservation of asset quality, regulatory compliance, and sustainable profitability *while safeguarding the interests of all stakeholders*.

2. Credit risk philosophy

The Company shall follow a risk-based, prudent, and responsible lending approach anchored on:

- Assessment of the borrower's repayment capacity.
- Sustainability of underlying business cash flows.
- Appropriate risk-based pricing *commensurate with the credit profile*.
- Adequate security cover *and clear margin requirements*.
- Portfolio diversification *to mitigate concentration risk*.
- *Strict* zero tolerance for evergreening *of stressed loan accounts*.

Credit decisions shall not be based solely on collateral value. Cash flow viability *and the borrower's intent to repay* shall remain the primary criteria.

3. Objectives of the policy

- Define eligible credit facilities *and target customer segments*.
- Establish *robust* underwriting standards.
- Define *a clear* sanctioning and delegation *of authority* structure.
- Prescribe security and collateral *valuation* norms.
- Provide *an active* monitoring and review mechanism.
- Ensure *strict* compliance with RBI prudential regulations.
- Prevent concentration and systemic risks *through predefined exposure limits*.

4. Scope

This Policy applies to all lending operations *undertaken by the Company*, including:

- Retail loans
- MSME loans
- Corporate loans
- Gold / Silver loans
- Unsecured personal loans
- Working capital facilities
- Project finance exposures
- Microfinance loans (if undertaken *and within regulatory limits for NBFC-ICCs*)
- Digital lending portfolios
- Co-lending exposures *under the RBI's Co-Lending Model (CLM)*

5. Credit products

5.1 Term Loans

- Fixed tenure.
- Structured EMI repayment.
- Prepayment conditions *clearly* disclosed upfront *in compliance with RBI circulars on the levy of foreclosure charges*.

5.2 Working Capital Facilities

- Cash Credit
- Overdraft
- Bill Discounting
- Invoice Financing

5.3 Secured Loans

Security may include:

- Mortgage of immovable property *(with clear and marketable title)*.
- Hypothecation of movable assets.
- Pledge of securities *(dematerialized form preferred)*.
- Gold / silver collateral.
- Fixed deposit lien.

5.4 Unsecured Loans

Granted based on:

- Credit score *from approved Credit Information Companies (CICs)*.
- Cash flow stability.
- Employer/business stability.
- Past repayment track record.

6. Borrower Eligibility Criteria

Eligible borrowers *include*:

- Individuals, Proprietorships, Partnerships, LLPs, Private Limited Companies, Public Limited Companies, and MSMEs.

The borrower must:

- Not be *classified as* a wilful defaulter.
- Not be in *the* RBI caution list *or CEIB (Central Economic Intelligence Bureau) databases*.
- Not be on *international or domestic AML/CFT* sanctions lists.
- Have *a* satisfactory credit history.

7. Credit appraisal process

Every loan proposal shall undergo a structured *and thoroughly documented* appraisal process.

7.1 KYC & AML Compliance

- PAN verification *through the NSDL portal*.
- Aadhaar validation (where applicable *and with explicit consent*).
- Beneficial ownership identification *for corporate/legal entities*.
- AML risk classification *(Low/Medium/High) as per the Company's PMLA policy*.
- Screening against regulatory lists.

7.2 Financial Analysis

For salaried individuals:

- Salary slips, Form 16, Bank statements, *and* EMI-to-income ratio *(FOIR)*.

For MSME/Corporate borrowers:

- Last 2–3 years audited financials *(with consideration to Section 134/137 of the Companies Act)*.

- GST returns *for revenue validation*.
- Bank statements (12 months minimum).
- Cash flow projections *and* DSCR (Debt Service Coverage Ratio) analysis.
- Leverage and liquidity ratios.

7.3 Credit Bureau Check

Mandatory credit bureau verification from approved bureaus *(e.g., CIBIL, Experian, Equifax, CRIF)*.
Loan sanction shall consider:

- Credit score, Past delinquencies, Write-offs, *and* Settlement history.

7.4 Risk Rating Model

Internal risk grading parameters:

- Industry risk, Business stability, Financial strength, Repayment behaviour, *and* Collateral coverage.

Risk rating shall influence:

- Pricing, Security requirement, Approval level, *and* Monitoring intensity.

8. Pricing policy

Interest rates shall be determined based on:

- Cost of funds, Operating cost, Credit risk premium, Capital charge, *and* Market benchmark.

The Company shall adopt:

- Risk-based pricing *models*.
- Transparent Key Fact Statement (KFS) *provided to all borrowers before contract execution*.
- Clearly disclosed Annual Percentage Rate (APR).
- No hidden charges.
- *In accordance with the RBI circular on 'Fair Lending Practice - Penal Charges in Loan Accounts', penal charges shall be treated strictly as 'charges' for non-compliance and shall not be capitalized or added to the principal outstanding.*

9. Sanctioning framework

Delegation of powers shall be Board-approved *and strictly adhered to in compliance with Section 179 of the Companies Act, 2013*.

Authority	**Maximum Exposure**
Credit Manager	As defined *in the internal Delegation of Authority (DoA) matrix*
Credit Committee	As defined *in the DoA matrix*
Managing Director	As defined *in the DoA matrix*
Board *of Directors*	Above defined threshold

Every sanction note must contain:

- Borrower profile, Financial summary, Risk assessment, Security coverage, *and* Compliance confirmation.

10. Security & collateral policy

10.1 Collateral Valuation

- Conducted by *independent, Board-*empanelled valuers *(registered under Section 247 of the Companies Act, 2013, where applicable)*.
- Independent valuation required for high-value exposures.
- Revaluation *to be conducted* periodically *based on asset class*.

10.2 Loan-to-Value (LTV) Norms

LTV shall be product-specific.

For gold loans:

- LTV shall remain within *the maximum regulatory cap of 75% (or as currently prescribed by RBI)* at origination.
- Periodic *mark-to-market* valuation required.
  Security coverage shall be monitored throughout the loan tenure.

11. Documentation standards

Mandatory documentation:

- Loan Agreement, Demand Promissory Note, Hypothecation / Mortgage Deed, Guarantee Agreement, ECS / NACH Mandate, *and* Key Fact Statement *(KFS)*.
- All documentation shall be legally vetted and digitally archived *in compliance with the Information Technology Act, 2000*.

12. Disbursement norms

Disbursement shall be subject to:

- Completion of documentation, Perfection of security *(e.g., CERSAI registration)*, Compliance confirmation, *and* Approval note validation.

Funds shall be disbursed:

- Directly into *the* borrower's bank account, OR
- Directly to *the* vendor (for specific-purpose loans).
- *Strictly* no third-party routing *is* permitted.

13. Post-disbursement monitoring

Monitoring includes:

- EMI performance tracking.
- Early Warning Signal (EWS) detection.
- Stock and receivable review (WC loans).
- Financial covenant monitoring.
- Site visits (where required).

14. Early Warning Signals (EWS)

Indicators may include:

- EMI bounce, Frequent overdraft, Decline in turnover, Delayed financial submissions, *and adverse* Market intelligence.
- EWS cases shall be escalated to *the* Risk Management Committee *for prompt mitigation*.

15. Asset classification & Provisioning

Classification *shall strictly adhere to* RBI norms *for NBFC-Base Layer*:

- Standard Asset
- SMA categories *(SMA-0, SMA-1, SMA-2)*
- NPA (90+ DPD *or as per prevailing SBR guidelines*)

Provisioning shall be made as per regulatory requirements *and the Expected Credit Loss (ECL) model if IND-AS is applicable under the Companies Act rules*. No evergreening *is* permitted.

16. Restructuring Policy

Restructuring shall:

- Be based on genuine financial stress.
- Not *be utilized to* mask asset quality.
- Require *a* Board-approved framework.
- Follow *extant* RBI restructuring guidelines *(e.g., MSME restructuring frameworks)*.

17. Exposure Norms & Concentration

To manage risk, the Company shall monitor *and cap*:

- Single borrower exposure, Group exposure, Sectoral exposure, Geographic concentration, *and* Product concentration.
- *While NBFC-Base Layer entities have internal flexibility, Board-approved limits shall be strictly enforced to* ensure diversification and prevent systemic vulnerability.

18. Recovery & collection policy

The recovery framework includes:

- Reminder communication, Soft collection measures, Field visits, Legal action *(e.g., Section 138 of NI Act),* SARFAESI (if applicable *and notified*), *and* Arbitration.
- Recovery agents shall *strictly* adhere to *the* Fair Practices Code and ethical conduct norms *prescribed by RBI*.

19. Digital lending controls

Where digital channels are used *(in compliance with RBI Guidelines on Digital Lending)*:

- Disbursement *and collections must flow* directly to/from *the* borrower's *bank account*.
- No pass-through accounts *managed by Lending Service Providers (LSPs).*
- Transparent KFS *must be provided*.
- *Establishment of a nodal* Grievance redressal mechanism.
- Data storage *must reside physically* within India.
- *The* Chief Compliance Officer shall certify regulatory compliance.

20. Internal control & reporting

- Monthly MIS to management.
- Quarterly review by *the* Board *or its delegated committees.*
- Annual internal credit audit *(as part of Section 138 of the Companies Act requirement).*
- Concurrent audit (if applicable).
- Regulatory reporting to RBI *(via XBRL/Returns portal).*

21. Disclosures

In accordance with the Companies Act, 2013 and RBI Financial Statements Directions, the Company shall disclose in *its annual* financial statements:

- Loan portfolio composition, Sector exposure, NPA ratio, Provision coverage ratio, Gold loan share (if applicable), *and* Microfinance exposure (if applicable).

22. Review of policy

This Policy shall be:

- Reviewed annually.
- Amended upon *any material* regulatory change.
- Approved by the Board of Directors.

23. Effective date and approval

This **CREDIT FACILITIES POLICY** has been approved by the Board of Directors of **THIRUKOCHI FINCAP LIMITED** at its meeting held on **12/03/2026**.

Effective Date: 12/03/2026

Version:1