

POLICY FOR UNDERTAKING OF FINANCIAL SERVICES

(For Base Layer NBFC – Investment and Credit Company)

1. Preamble

This Policy is framed in accordance with the Master Direction – Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued by the Reserve Bank of India (“RBI”), read with the provisions of the RBI Act, 1934, *the Companies Act, 2013 (including but not limited to Sections 179, 185, and 186)*, and other applicable circulars, directions, and guidelines issued from time to time.

The Company is registered as a Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC) and classified under the Base Layer (NBFC-BL) under the Scale Based Regulatory Framework.

This Policy lays down the comprehensive governance, risk, compliance, and operational framework for undertaking permissible financial services *while ensuring alignment with the Company's Memorandum and Articles of Association (MoA & AoA)*.

2. Objectives of the policy

The objectives of this Policy are to:

1. Define the scope of permissible financial services *and target market segments*.
2. Establish *robust* internal approval mechanisms for new activities *and product launches*.
3. Ensure *strict* regulatory compliance under *the SBR framework and corporate laws*.
4. Strengthen risk governance and capital discipline *across all business verticals*.
5. Safeguard customer interests *through fair lending practices*.
6. Prevent regulatory breaches and reputational risk.
7. Ensure *long-term* financial stability and sustainability of operations.

3. Regulatory framework

This Policy shall be read in conjunction with:

- RBI Master Direction – Scale Based Regulation (SBR).
- RBI Act, 1934 (Section 45-IA and related provisions).
- RBI Master Directions on Undertaking of Financial Services.
- *The Companies Act, 2013, and applicable rules governing investments and loans*.
- *Foreign Exchange Management (Overseas Investment) Rules and Regulations, 2022*, where overseas investment is proposed.
- Fair Practices Code and KYC Directions issued by RBI.
- *RBI Guidelines on Digital Lending (if utilizing digital platforms)*.
- Other circulars and clarifications issued by RBI from time to time.

Any amendment in *the overarching* regulatory framework shall automatically form part of this Policy.

4. Classification – base layer (NBFC-BL)

Being classified under the Base Layer:

- The Company shall operate *strictly* within *the* prudential and governance norms prescribed for NBFC-BL (*which inherently restricts the acceptance of public deposits*).
- Migration to *the* Middle Layer or Upper Layer, if triggered by *asset size crossing ₹1000 Crores or regulatory notification*, shall require *immediate* policy revision.
- All diversification decisions shall consider *potential* regulatory migration implications.

5. Permissible financial services

The Company may undertake the following activities subject to compliance with RBI *and statutory norms*:

5.1 Lending Activities

The Company may engage in:

- Secured *and* Unsecured loans
- Personal *and* Business loans
- Corporate loans *and Inter-corporate deposits (ICDs)*
- Gold loans (*subject to specific LTV regulations*)
- Loan against property (*LAP*)
- Asset *and* Equipment financing
- Bill discounting *and* Working capital finance
- *Co-lending arrangements with banks/NBFCs as per the RBI Co-Lending Model (CLM).*

All lending shall be governed by:

- A Board-approved Credit Policy.
- Exposure norms *and* Concentration limits.
- Fair Practices Code *and* KYC & AML guidelines.
- *Compliance with Section 185 (Loans to Directors) and Section 186 (Loans and Investment by Company) of the Companies Act, 2013.*

5.2 Investment Activities

The Company may:

- Invest in shares and securities (*listed and unlisted*).
- Invest in bonds, debentures, *and* mutual funds.
- Undertake treasury investments *for liquidity management*.
- Invest in group entities subject to arm's length norms *and related party transaction rules under Section 188 of the Companies Act, 2013.*

Investment decisions shall:

- Not compromise capital adequacy.
- Not breach exposure norms.
- Be supported by *a formalized risk assessment*.
- Be approved as per *the Board-delegated authority matrix*.

5.3 Fee-Based Financial Services (Without Risk Participation)

The Company may undertake:

(A) Distribution of Mutual Funds / Financial Products

(B) Insurance Agency Business (Without Risk Participation)

Subject to *the IRDAI (Registration of Corporate Agents) Regulations, 2015.*

The Company shall:

- Act only as *a composite corporate agent* (if permitted).
- Avoid coercive cross-selling (*tying of products is strictly prohibited*).
- Ensure insurance is *entirely optional for the borrower*.
- Not assume underwriting risk.
- Ensure premium is directly paid to *the insurer (no premium retention)*.

5.4 Prohibited Activities

The Company shall **not**:

- Accept public deposits (*NBFC-Base Layer entities are strictly prohibited from deposit-taking*).
- Engage in non-financial business (except *where purely incidental*).
- Undertake speculative capital market activities *or day-trading*.
- Conduct insurance business departmentally with risk participation (*without separate entity and explicit RBI/IRDAI licensing*).
- Engage in pyramid / chit fund / collective investment schemes.
- Create complex multi-layered overseas structures (*in violation of FEMA and RBI rules*).

6. Entry into new financial services

Before commencing any new line of financial service, the following process shall be followed:

1. Detailed feasibility study *and market analysis*.
2. Risk assessment note (*evaluating credit, operational, and compliance risks*).
3. Capital impact analysis.
4. Regulatory approval requirement analysis.
5. Compliance certification *from the Chief Compliance Officer / Company Secretary*.
6. Board approval.

Strictly, no activity shall commence without formal Board approval.

7. Overseas investment framework

If the Company proposes to:

- Open a subsidiary abroad
- Form a joint venture abroad
- Undertake *any direct* overseas investment

The Company shall:

- Obtain prior *No Objection Certificate (NOC)* from RBI.
- Ensure aggregate overseas exposure *remains* within permissible limits (*typically 100% of NoF*).
- Invest only in regulated financial sector entities *in FATF-compliant jurisdictions*.
- Maintain CRAR post-investment.
- Ensure Net NPA *remains* within *the* regulatory limit.
- Avoid cross-jurisdictional layered structures.
- Comply with FEMA (*Overseas Investment*) Rules and Regulations, 2022.
- Annual statutory auditor certification shall be submitted to RBI as required.

8. Entry into insurance business (with risk participation)

If *the* Company proposes Joint Venture participation *to undertake insurance business*:

- Minimum owned fund criteria shall be met.
- CRAR shall not fall below *the* regulatory minimum.
- Net NPA shall be within *the* permissible threshold.
- Prior RBI approval shall be obtained through *the* PRAVAAH Portal.
- Compliance with *all* IRDAI regulations shall be ensured.
- Equity holding limits *prescribed by RBI/IRDAI* shall be adhered to.

9. Capital adequacy and prudential norms

The Company shall at all times maintain:

- Minimum Net Owned Fund (NOF) of ₹10 Crores (*or as per the regulatory glide path for Base Layer NBFCs*).
- Capital to Risk Weighted Assets Ratio (CRAR) as prescribed for NBFC-BL (*if applicable under future directives; currently maintaining adequate leverage*).
- Leverage ratio within permissible limits (*strictly not exceeding 7 times*).
- Provisioning norms as per RBI guidelines (*Income Recognition and Asset Classification norms, including the 90-day NPA classification*).
- Exposure norms for single and group borrowers.
- Diversification shall not impair capital adequacy.

10. Risk management framework

Pursuant to Section 134(3)(n) of the Companies Act, 2013 and RBI SBR, the Company shall maintain a structured risk management system covering:

- Credit Risk
- Market Risk
- Liquidity Risk (*ALM Framework*)
- Operational Risk (*including Cyber Security*)
- Compliance Risk
- Reputational Risk

The Board (or Risk Management Committee) shall periodically review:

- ALM statements and liquidity buffers.
- Stress testing results.
- Portfolio concentration.
- Asset quality trends.

11. Governance framework

The Board of Directors, acting within the powers stipulated under Section 179 of the Companies Act, 2013, shall:

- Approve this Policy.
- Approve entry into new financial services.
- Monitor regulatory compliance.
- Review risk exposures.
- Ensure independence of the internal audit and compliance function.
- Review capital planning annually.

Senior management shall ensure *flawless execution and implementation*.

12. Customer protection framework

The Company shall:

- Follow the RBI Fair Practices Code *religiously*.
- Maintain transparent loan documentation and issue a Key Fact Statement (KFS) in the vernacular language.
- Clearly disclose Annual Percentage Rates (APR), interest rates, and charges.
- Provide a robust grievance redressal mechanism (*integrated with the RBI Integrated Ombudsman Scheme, if applicable*).
- Appoint a nodal Grievance Redressal Officer.
- Avoid all forms of mis-selling and aggressive recovery tactics.

13. Internal control and audit

The Company shall maintain:

- Internal audit system (*as mandated by Section 138 of the Companies Act, 2013*).
- Concurrent audit (if required by *business volume*).
- Compliance testing *mechanisms*.
- Secretarial compliance monitoring.
- Periodic regulatory reporting verification.

14. Reporting and disclosure

The Company shall:

- Submit periodic returns to RBI (*via XBRL/APEX portals*).

- Disclose financial position as per statutory norms (*including Schedule III of the Companies Act, 2013*).
- Report material events to RBI *and the Registrar of Companies (RoC)*.
- Maintain *absolute* transparency in financial reporting.

15. Policy review

This Policy shall be:

- Reviewed annually.
- Amended *immediately* in case of regulatory changes *or statutory amendments*.
- Placed before the Board for approval of *any material* modifications.

16. Effective date and approval

This **POLICY FOR UNDERTAKING OF FINANCIAL SERVICES** 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

