

# 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 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

<b>Loan Amount</b>	<b>Approval Authority</b>
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 LIMITED** at its meeting held on **12/03/2026**.

**Effective Date: 12/03/2026**

**Version: 1.0**

