

POLICY ON FINANCIAL STATEMENTS: PRESENTATION AND DISCLOSURES

(For Base Layer NBFC – Investment and Credit Company)

1. Preamble

This Policy on Financial Statements: Presentation and Disclosures (“Policy”) is framed pursuant to:

- Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.
- *Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.*
- Circulars and notifications issued by RBI from time to time.
- Provisions of the Companies Act, 2013 (*specifically Sections 128, 129, 133, 134, and 143*).
- Schedule III (*Division II or Division III – NBFCs, as applicable*) to the Companies Act, 2013.
- Applicable Indian Accounting Standards (Ind AS) / Accounting Standards (AS), as applicable *notified under the Companies (Indian Accounting Standards) Rules, 2015 / Companies (Accounting Standards) Rules, 2021.*

This Policy applies to the Company being classified as an NBFC–ICC under *the* Base Layer (NBFC-BL).

2. Objectives

The objectives of this Policy are to:

- Ensure preparation of financial statements that present a true and fair view *of the state of affairs of the Company.*
- Ensure *strict* compliance with RBI prudential norms and *enhanced* disclosure requirements.
- Promote transparency, *reliability*, and comparability of financial information *for stakeholders.*
- Ensure adequate disclosure of risk exposures, *asset quality*, and capital position.
- Strengthen internal *financial* controls and governance in financial reporting.
- Prevent misstatement, misrepresentation, or regulatory non-compliance.

3. Applicability

This Policy shall apply to:

- Annual Financial Statements.
- Interim Financial Statements (*where prepared or mandated*).
- Regulatory reporting *and returns* submitted to RBI (*via the XBRL/APEX portal*).
- Notes to Accounts forming part of *the* financial statements.
- Public disclosures hosted on *the* Company website.

This Policy shall be binding on:

- Finance *and Accounts* Department
- Risk Management Function
- Compliance Function
- Internal Audit
- Senior Management *and Statutory Auditors*

4. Governance framework

4.1 Role of the Board of Directors

The Board shall:

- Approve *the* annual audited financial statements *before their submission to shareholders.*
- Ensure compliance with RBI SBR Directions *and the Companies Act, 2013.*
- Review *the* adequacy of provisioning, *liquidity buffers*, and capital.
- Review material accounting judgments and estimates.

- Ensure financial statements are not misleading *and contain no material omissions*.
- Review related party transactions and exposure to group entities *as per Section 188 of the Companies Act, 2013*.
- Ensure implementation of robust internal financial controls *and formally declare the same via the Directors' Responsibility Statement under Section 134(5) of the Companies Act, 2013*.

4.2 Role of Audit Committee

The Audit Committee (*constituted pursuant to Section 177 of the Companies Act, 2013*) shall:

- Review financial statements prior to Board approval.
- Examine changes in accounting policies *and practices*.
- Review compliance with RBI prudential norms.
- Review provisioning and NPA classification.
- Oversee statutory audit and internal audit findings, *ensuring auditors' independence*.
- Recommend corrective actions where required.

4.3 Role of Chief Financial Officer (CFO)

The CFO (*appointed under Section 203 of the Companies Act, 2013, if applicable*) shall:

- Ensure accurate and timely preparation of financial statements.
- Maintain books of accounts in compliance with *the Companies Act* and RBI norms.
- Ensure *the exact* reconciliation of regulatory returns with *the audited* financial statements.
- Ensure implementation of *Board-approved* accounting policies.
- Coordinate with statutory auditors and regulators.

5. Basis of preparation

Financial Statements shall be prepared:

- On *an* accrual basis of accounting.
- On *the* going concern assumption.
- In accordance with Ind AS (if applicable *based on net worth criteria*) or applicable Accounting Standards.
- In compliance with Schedule III – *Division III (for Ind AS NBFCs) or Division I/II (for Non-Ind AS NBFCs)*.

Where there is divergence between Ind AS and RBI prudential norms (e.g., income recognition, provisioning), additional disclosures and regulatory adjustments shall be made as required by RBI. (*Specifically, the Company shall maintain a 'prudential floor' for provisioning; if the Expected Credit Loss (ECL) provision is lower than the provision required under RBI Income Recognition, Asset Classification and Provisioning (IRACP) norms, the difference shall be appropriated to an Impairment Reserve*).

6. Components of financial statements

The Company shall prepare:

- Balance Sheet
- Statement of Profit and Loss
- Cash Flow Statement
- Statement of Changes in Equity (*if Ind AS is applicable*)
- Notes to Accounts (*including explanatory notes and schedules*)
- Summary of Significant Accounting Policies
- Additional RBI-mandated disclosures

7. Accounting policies

The Company shall adopt documented accounting policies covering:

- Revenue recognition (*including application of the Effective Interest Rate (EIR) method*).
- Interest income on loans.
- NPA recognition and provisioning (*with strict adherence to the 90-day DPD norm for Base Layer NBFCs*).
- ECL (Expected Credit Loss), if Ind AS *is* applicable.

- Depreciation and amortisation.
- Impairment of financial *and non-financial* assets.
- Fair valuation of *investments*.
- Foreign currency transactions.
- Taxation (current and deferred).
- *Derecognition of financial assets and liabilities*.

Accounting policies shall be:

- Consistently applied *across reporting periods*.
- Approved by the Board.
- *Transparently* disclosed in *the* Notes to Accounts.

8. Prudential disclosures as per RBI directions

The Company shall disclose the following *in its Notes to Accounts*:

8.1 Capital Adequacy

- CRAR (%)
- Tier I Capital *and* Tier II Capital (*as a percentage of Total Risk Weighted Assets*)
- Risk Weighted Assets
- Capital buffer maintained

8.2 Asset Classification

Break-up of:

- Standard Assets
- Sub-standard Assets
- Doubtful Assets (*categorized by duration: D1, D2, D3*)
- Loss Assets
- Movement in NPAs
- Gross NPA and Net NPA ratios
- *Details of Special Mention Accounts (SMA-0, SMA-1, SMA-2)*.

8.3 Provisioning Details

- Specific provisions *and* General provisions.
- Standard asset provisions.
- Write-offs and recoveries.
- *Comparison between Ind AS ECL provisioning and RBI IRACP norms (if applicable)*.

8.4 Exposure to Sensitive Sectors

- Exposure to Real Estate Sector
- Exposure to Capital Market
- Exposure to Commercial Real Estate (CRE)
- Exposure to group companies

8.5 Concentration of Credit Exposure

- Single borrower exposure
- Group borrower exposure
- Top 20 exposures
- Geographic *and* sectoral concentration

8.6 Securitisation / Direct Assignment

- Assets securitised *or assigned*
- Gain/loss on sale
- Retained interest
- Credit enhancement provided
- Outstanding pool performance

8.7 Liquidity Risk Disclosures

- Asset Liability Maturity Pattern (ALM) (*across RBI-prescribed time buckets*).
- Cumulative mismatches.
- Liquidity coverage metrics (if applicable).

8.8 Related Party Disclosures

- Transactions with directors and KMP (*Key Managerial Personnel*).
- Loans and advances to related parties.
- Arm's length confirmation.

8.9 Derivative Transactions (If any)

- Purpose and type.
- Credit exposure.
- Accounting treatment.

8.10 Miscellaneous Regulatory Disclosures

- *Details of Frauds reported during the year.*
- *Customer Complaints (received, resolved, and pending).*
- *Breach of any loan covenants by the Company.*
- *Penalties levied by RBI or other regulators.*

9. Disclosure on fair practices code

The Company shall disclose:

- Adoption of *the Board-approved Fair Practices Code.*
- Grievance Redressal mechanism.
- Name and contact of *the Principal Nodal / Grievance Redressal Officer.*
- Ombudsman details, where applicable (*under the RBI Integrated Ombudsman Scheme*).
- *Confirmation that the FPC is displayed prominently at all branches and the Company website.*

10. Materiality framework

Materiality shall be determined based on:

- Size of transaction.
- Nature of transaction.
- Regulatory impact.
- Reputational risk.

Material omissions or misstatements shall be avoided. (*Materiality thresholds shall be strictly aligned with Ind AS 1 / AS 1 and the Board-approved Materiality Policy*).

11. Internal financial controls

The Company shall maintain:

- *A formally documented financial control framework (aligned with Section 134(5)(e) and 143(3)(i) of the Companies Act, 2013).*
- Maker-checker system.

- Periodic reconciliation of GL (*General Ledger*) accounts.
- System-based controls in *the* loan management system (*LMS*).
- IT controls over financial reporting (*ITGC - Information Technology General Controls*).
Internal Audit shall review *the* adequacy of financial controls annually.

12. Statutory audit & certifications

The Company shall:

- Appoint statutory auditors as per RBI guidelines *and Section 139 of the Companies Act, 2013 (ensuring mandatory rotation of audit firms as applicable)*.
- Ensure audit under *the* Companies Act, 2013.
- Obtain auditor certification on regulatory compliance, where required.
- Submit audited financial statements to RBI within prescribed timelines (*typically within one month of finalization or as directed*).

13. Website disclosures

The Company shall host on its website:

- Financial statements (*Annual Reports*).
- *The web-link to the Annual Return (Form MGT-7) as per Section 92(3) of the Companies Act, 2013.*
- Corporate governance disclosures (if applicable).
- Fair Practices Code.
- Policies mandated by RBI (*including Interest Rate Policy, Grievance Redressal Policy, etc.*).

14. Record retention

Financial records *and books of accounts* shall be preserved *in good order* in accordance with:

- Companies Act, 2013 (*for a period of not less than 8 financial years preceding the current year, as per Section 128(5)*)
- RBI Directions
- Internal record retention policy

15. Review of policy

This Policy shall be:

- Reviewed annually.
- Amended upon *any* change in RBI Directions *or statutory frameworks*.
- Approved by the Board for any revision.

16. Effective date and approval

This **POLICY ON FINANCIAL STATEMENTS: PRESENTATION AND DISCLOSURES** 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.

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