

RISK MANAGEMENT POLICY

Non Banking Financial companies (NBFCs) form an integral part of the Indian financial system. NBFCs are required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place. This policy document has been prepared in line with the RBI guidelines.

GENERAL PROVISIONS

This Policy represents the basic standards of Risk Assessment to be followed by the company. Changes in the Policy will become effective upon approval by the Board of Directors of the Company. All relevant employees must be thoroughly familiar or made familiar with it and make use of the material contained in this Policy.

RISK MANAGEMENT

Risk management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The Company shall follow a disciplined risk management process and has been taking business decisions, ensuring growth and balancing approach on risk reward matrix.

There are mainly three types of risk associated with our business which are detailed as under:

Credit Risk

A risk of loss due to failure of a borrower/counterparty to meet the contractual obligation of repaying his debt as per the agreed terms, is commonly known as risk of default.

Risk Mitigation

- Credit risk shall be managed using a set of credit norms and policies. The Company shall have defined roles and responsibilities for originators and approvers. All credit exposure limits shall be approved by authorized persons.
- There shall be a structured and standardized credit approval process to ascertain the credit worthiness of the borrower.
- The Company shall develop internal evaluation team to make credit decisions more robust and in line to manage collateral risk.
- The Company shall follow a process of time-to-time revisiting the credit policy and processes, on the basis of experience and feedback.

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Operational Risk

Any eventuality arising from the act relating to people, technology, infrastructure and external factors, which can give rise to some type of loss in the organisation, is termed as Operational Risk. Majorly it is internal and unknown. Therefore, the persons responsible shall keep continuous watch and shall gather the symptoms/warning signals to manage Operational risk.

Market risk

This is majorly external market dynamics, which gives rise to Risks like Liquidity risk, Interest Rate risk and Funding risk. Liquidity risk is the inability to meet financial obligations in a timely manner and without stress. The Company shall resort to proper ways to manage such risks.

Risk Mitigation

- As a contingency plan the Company shall maintain sufficient approved but un- drawn credit lines on a continuous basis as buffer to manage eventuality of liquidity constraints.

The Company shall be compliant in terms of regulatory norms and therefore shall effectively manage regulatory risk. Effective Customer redressal mechanism and fair practices shall keep legal risk under control.

The Company shall have processes in place, to manage the risk of fraud and the suspected frauds are reported, wherever necessary.

RISK ASSESSMENT OF BORROWERS

It is generally recognized that certain borrowers may be of a higher or lower risk category depending on the customer's background, type of business, our references, borrowers net worth and the ability to refund and pay interest etc. As such, the principal officer shall apply to each of the customers due diligence measures on a risk sensitive basis and shall divide the same in three categories HIGH MEDIUM AND LOW which shall be reviewed every year. Initially all the new clients are to be marked as high – risk category, however they may be subsequently recategorised depending on their performance based on our own experiences. The basic principal enshrined in this approach is that the concerned persons should adopt an enhanced customer due diligence process for higher risk customers. Conversely, a simplified customer due diligence process may be adopted for lower risk of categories of customers. In line with risk based approach, the type and amount of information and documents shall vary depending on the risk category of a particular borrower and should be collected from the client. The beneficial owners working should be done for all corporate clients and background check of all directors. In case of a borrower who subsequently has turned out to be a Politically Exposed person, proper risk management system should be put in place to determine the beneficial ownership from such clients or potential clients. Once we are privy to such publicly available information or the commercial electronic database of

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PEPs, we should seek additional relevant information from such client pertaining to Ownership issues and other risks associated with such persons and take call whether such exposure to him or his company we should continue or terminate the relationship after giving notice in advance. As a policy without concurrence of top management, no such identified PEP account is to be granted loan. Suspicion of ML/FT activities or other factors give rise to belief that the client does not fall under the low risk category, and the risk perception shall accordingly changed.

OBLIGATIONS OF THE PRINCIPAL OFFICER

The Principal Officer is required to carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to such borrower, countries or geographical areas, nature and volume of transaction, payments method used by borrowers. The risk assessment shall also take into account any country specific information provided or circulated by Government of India and SEBI from time to time, as well as the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations Security Council Resolutions.

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate risk level and type of mitigation to be applied. This assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies as and when required. In case of the change in perception the risk assessment in case of PEP borrower should be again done to ascertain whether it is prudent to continue with the exposure with such PEP borrower or not. In case it is felt that the funds are not safe, the funds should be recalled immediately with out delay.

BOARD OF DIRECTORS MEETINGS AND REVIEW

The Board of Directors, in their board meetings, will oversee the implementation of the system and review its functioning periodically. The above Policy was approved by the Board of Directors of the Company at their meeting held on 22.09.2017

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