



Namdev Finvest Private Limited

Har Pal Aap Ke Saath ..

CREDIT REVIEW POLICY

NAMDEV FINVEST PRIVATE LIMITED

Registered Office:

**S-1, S-7-8, SHREE NATH PLAZA, SECOND FLOOR,
NEER SAGAR MARKET, BHANKROTA, JAIPUR,
RAJASTHAN-302026
INDIA**

CIN NO: U65921RJ1997PTC047090

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CREDIT RISK POLICY

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1. INTRODUCTION

Namdev Finance Private Limited (hereinafter “Namdev”) is a Non-Bank Finance Company. Driven by the vision to be the lender of choice for families and MSME businesses in rural and semi-urban markets, Namdev primarily provides MSME loans, two-wheeler loans, green energy and other vehicle loans. The Company’s impact lending helps customers become independent as they work to build their destinies. In the last one decade, Namdev has worked with passion and determination to support the dreams of the lesser privileged. This has helped the Company earn the trust of customers and grow.

In pursuing its business, Namdev will operate according to the highest ethical and compliance standards and constantly seek to follow best practices in the industry. Under no circumstances will contravention of laws and relevant regulations be tolerated.

2. OBJECTIVE OF THE CREDIT RISK POLICY

The Credit Risk Policy is the governing document for our credit appraisal, approval, post- approval monitoring and enforcement. This should be the reference document on any issues related to credit approval or process connected to the same. The purpose is to ensure that Namdev’s financing portfolio remains of sound quality, that portfolio growth is supported and that we manage credit risk in a manner that minimizes creation of non-Performing Assets (NPAs).

The policy must be read and followed in line with the relevant laws and regulations governing our business. In the case of any conflict or divergence between this policy and relevant regulations and laws, the regulations and laws will override this policy.

The Credit Risk Policy must also be read with other risk and process guidelines of Namdev as relevant.

The policy will continue to be amended from time to time in the light of changing business and economic environments. The policy must be reviewed annually, or any amendments approved by the Board.

It is also an objective of this policy that Namdev continues to provide financing where the returns reflect the risk taken and are positive from a Return on Equity and Return on Capital Employed perspectives. Our business seeks to be profitable and add value to all stakeholders in Namdev – shareholders, management, staff and clients.

It is reiterated that all times Namdev and its staff will follow the necessary regulations and guidelines issued by relevant regulators like the Reserve Bank of India, Ministry of Finance, Ministry of Corporate affairs etc. In case of any conflict between this policy and a regulation, the regulation is to be followed strictly.

3. CREDIT APPROVAL AUTHORITY

The Credit Approval Authority resides ultimately with the senior management of Namdev. In operational terms, all credit approval and delegation of credit approval authority lies with the Senior Credit team and CEO of Namdev.

It may be noted that credit approval authority includes not merely the approval of a credit proposal but also any subsequent deviation from approved credit terms.

4. PORTFOLIO NORMS

In evaluating credit proposals, the Credit team will also be keeping in mind certain exposure norms. These are in addition to the norms on single borrower and group exposures and similar guidelines that have been imposed by the Reserve Bank of India (RBI).

The norms below are suggestive in nature, barring specific prescriptive norms: -

- ❖ **Correlation across Borrowers and Financings:** On an ongoing basis, management as well as the larger team should endeavor to ensure that we get the full benefits of portfolio diversification on our exposures. It is recommended that any correlations with other exposures e.g., multiple borrowers selling to the same client; geographical etc. be kept in mind while providing approvals.
- ❖ **Geographic Concentration:** It is recognized that a major proportion of our business will come from the rural and semi-urban. However, we need to ensure that we do not have an inordinate concentration on other geographical areas.
- ❖ **Sector Norms:** All financing must be given a Sector Classification. The Board has agreed to a sector cap of 85%-90% on MSME Business and 10-15% for other products financing. If any sector crosses decided limits, the same should be highlighted to the Board and the management should seek a sector limit from the Board.

5. FINANCING TENOR:

The final maturity of financing provided by Namdev will adhere to the following limits.

- ❖ **Secured Financing:** up to 84 months.

Any deviation from the above will need to be specifically approved as per the approval matrix.

6. CREDIT APPROVAL PROCESS FLOW

Namdev offers a large variety of financing solutions for its clients. In brief the process is to include the following steps:

- A.** Client Suitability: Eligibility check & Reputation/Anti-Money Laundering Checks
- B.** Completion of KYC
- C.** Credit Appraisal (CA)
- D.** Execution of Security Documentation
- E.** Disbursal of financing

All financing and creation of security will be in line with Namdev's license conditions and relevant laws and regulations.

Namdev is open to financing all types of client entities provided they have the requisite authority and legal power to avail themselves of financing. This includes Individuals, Hindu HUF, companies, Trusts, Partnership firms etc. High risk entities like Trusts and Partnership firms should be subject to greater scrutiny while evaluating their financing proposal.

A. Client Suitability: Eligibility and Reputation/Anti-Money Laundering Review

Namdev's objective is to partner bona-fide businesses and provide financing solutions to them. As such, prior to detailed work on the credit proposal, client suitability must be clearly established. Client suitability has to be checked through multiple criteria – which may evolve over time but must cover issues of reputation and regulatory risk, and the any concerns over money-laundering activities.

- ❖ **Regulator Notices** - List of defaulters/watch-lists issued by relevant regulatory bodies and exchanges viz. RBI, Government of India (especially Department of Corporate Affairs), SEBI, Competition Commission of India, Registrar of Companies, NSE/BSE/Other exchanges, NCLT and other debt recovery institutions.
- ❖ **Press Check** - Review of Press and social media for adverse publicity and news about the potential borrower.
- ❖ **Global crime and Default Databases** - To the extent available for public use.

Any issues or findings of concern or a NIL findings comment are mandatorily part of the credit proposal.

This anti-money laundering clause must be read and followed in line with our existing AML policy.

B. Know Your Client (KYC)

Clients must furnish all authenticated documents necessary for completing the KYC process. This includes all charter and incorporation documents, proof of address and business, financial statements and also the KYC documents for important stakeholders and authorized signatories.

C. Credit Appraisal / Credit Proposal (CA)

Credit Appraisal or Credit Proposal used interchangeably (CA) is the document which will form the basis of discussions and decision of the internal meeting.

CAs are to be prepared by the relevant originator. The author of the credit proposal will be held responsible for the accuracy of the information provided in the CA.

Each proposal must cover, inter alia: -

- 1) Background of client
- 2) Nature of financing including specifics on the instrument
- 3) Client financial strength, leverage levels, promoter strength, credit history (of client and promoter's CIBIL ratings), business and cashflow analysis, debt profile including other lenders and details of borrowing. This should include a description of interaction with the borrower and the originator's impression.
- 4) Group exposure: - In cases where we have more than one financing to a client group or are dealing with more than one client group entity, the entire group exposure should be clearly laid out. There should be a clear justification that the group exposure remains acceptable and also does not create client concentration risk for our portfolio.

- 5) END USE Verification: End use verification of funds is checked and validated by the credit team to ensure that they are utilized only for the intended purpose and not for any illegal/speculative (Terror, Harmful to nature funding) or anti-social activities.
- 6) Repayment sources: - Primary, Secondary (and Tertiary if applicable).
- 7) Loan To Value: The LTV is also verified at the time of sanctioning using the valuation report produced by the company's external valuer and approved in accordance with the Matrix and the property title specified in the credit policy. LTV cannot go beyond 55%. If LTV goes beyond 55%, then deviation will be required from the approving authority.
- 8) Key risks and mitigants: -
 - ❖ Reputation / Anti-Money Laundering risks if any else NIL comment
 - ❖ Financial
 - ❖ Regulatory
 - ❖ Instrument risk – especially around any subordination of our rights in an enforceability situation.
- 9) Security - This should detail the security on offer. While the management will decide on the final security, it is expected that most financing will be provided on the basis of the limits defined in the internal Credit policy.

Any specific deviation from expected security structure for a type of financing that may open Namdev up to additional risk must be highlighted in the CA.

- 10) Discussion on enforceability of security.
- 11) Income assessment: -. At the time of a personal visit, the applicant's entire family's income must be validated by the credit team or another authorized person through inspection of their Kacha Pakka bill, dairy records and milk statement.
- 12) Checking of Restricted Profiles: The Credit Policy defines a detailed List of negative profiles, and to that end, the company refuses to fund such restricted profiles. Any deviation in the negative profiles must be entered with mitigants in accordance with the approving authority in accordance with the deviation matrix (Income eligibility calculation as proposed by the approving authority).
- 13) Key terms and conditions of the financing.

The management may, if it is deemed suitable provide a specific format in which Credit Proposals are to be presented.

The above list of information required in the CA is not exhaustive. Authors of the CA are expected to provide all relevant information needed by the management for making a credit.

The CA, along with any additional conditions that the management may impose as part of the approval process will be the source document on the basis of which the financing will be provided and security structure executed.

D. Perfection of Security and Execution of Documentation:

Our standard documents (Loan Agreement; Mortgage Agreements; Hypothecation agreements, guarantees etc.) will be the basis of security documentation.

Legal Counsel (in-house or external counsel) will suitably modify our standard documents to incorporate the credit approval conditions of the management and also any relevant regulatory clauses

that are deemed necessary for the financing. It is expected that there will be some negotiation with the client on the drafting of the security documents.

Any deviations in the Security documents must be approved by the approving authority defined in credit policy.

The approving authority as per the approval matrix has the authority to approve minor deviations which (as confirmed by the Legal Counsel) will not materially impact Namdev' security position.

It is to be ensured by the back-office team that the finalized security document cannot be amended or otherwise changed in any manner by the borrower prior to execution.

Execution of Security Documentation:

Security documentation is the primary responsibility of the back-office support team. The Chief Operating Officer or the authority approved by the MD will nominate the specific individuals/teams who will be responsible for execution of security documentation. The origination staff responsible for managing the client relationship and originating the financing proposal must provide all necessary assistance in perfecting the security.

Responsibility for drafting and finalizing the security documents lies with the Legal Counsel. Any material deviation from the Legal Counsel's drafting must be approved by the CEO or staff delegated by the CEO.

Scanned copies of the security documentation must be stored in the client folders and easily accessible to the team at all times. The original documents must at all times be secured in the safe and logged at the premises of a third-party vendor.

It is also the responsibility of the documentation team to ensure that the necessary filings with regulators or government agencies are done within the prescribed time periods.

E. Disbursal of Financing:

Disbursal of the financing will be done by the Finance and Accounts, Legal and Compliance team. This is done based on confirmation from the Documentation team that documentation is complete, and any Conditions Precedent (CP) have been completed.

In making the disbursal, it is to be ensured that disbursal of funds is made to the account of the Borrower. Any disbursal to a third-party takeover case, i.e., financial intuitions must be approved based on a detailed rationale by the Credit Head.

7. ONGOING MONITORING AND CLIENT ENGAGEMENT: ANNUAL REVIEW

Ensuring that the Namdev team remains fully engaged with the client and in a position to remain updated about credit developments with the client is critical to maintaining a high-quality credit portfolio.

1) Ongoing Client Engagement:

It is expected that at least once a calendar quarter, each originator will conduct a detailed client discussion and review covering all issues that impact the client credit profile. Additionally, the originator must fulfil the following duties:

- i. Ensure we receive audited and unaudited financials from the company as mandated in a

agreements and analyze the said financials and related performance data and highlight major positive and negative developments to the Board and CEO.

- ii. Monitor the press and social media for any adverse reporting.
- iii. Loans will be added to the watch list in the case of any significant payment delays or any other material news and an action such as increasing the collateral cover, accelerating the loan repayment, loan recall etc. may be taken.

2) Monitoring:

We need to monitor the value of security against which financing has been provided as well as the conduct of the client regularly. Timely action has to be taken in case there is any deterioration either in enforceability or value.

Type of Security	Items to be monitored	Action to be taken	Responsibility
Free Hold Property	Value of land and title search to be taken at the time of sanction.	ANY adverse change in the value or title needs to be highlighted to the CEO. Action to be taken to seek topup in security or other steps as necessary to ensure that our security value remains in line with approval conditions	Joint responsibility of the Origination team and Documentation team.
Moveable Assets (Vehicles)	HPN on RC is in name of Namdev Finvest Private Limited	ANY adverse change in the value or title needs to be highlighted to Business Head	Joint responsibility of the Origination team and Documentation Team
Personal Guarantees in case of Wholesale Lending	CIBIL rating to be checked at time of sanction. Net Worth Certificate from a Chartered Accountant to be provided. Book Debts, Charge Creation at MCA	Any adverse changes to be highlighted to the CEO and action taken to mitigate new risks	Joint responsibility of the Origination team and Documentation team.

1) **Watchlist:**

Specific clients, client groups or transactions that have experienced a deterioration in risk profile – financial, reputation, legal will be placed on a Watch List by the management. Watch List items are to be placed under enhanced monitoring, and as a rule all steps should be taken to ensure the earliest possible repayment of our dues.

An update on the Watch List items is to be provided by the relevant Originator at the IEC (Internal Executive Committee) meeting. An update must be sent to the Board and CEO.

2) **Annual Review:**

An annual review is to be conducted on all Client Groups. Each review should incorporate all group entities we deal with and various facilities therein.

In cases where there is a top- up facility provided to a client, the focus of the review should be on any developments since the approval or last review rather than a repetition of the same information.

8. **ENFORCEMENT OF SECURITY AND RECOVERY ACTIONS**

In cases where a client has failed to meet their debt servicing requirements, Namdev. may need to enforce security and recover its dues. Important aspects to be followed in such an event:

- 1) In all action being undertaken for recovery, Namdev will strictly follow the law of the land and will act as a responsible member of the community. While ensuring that our rights are protected and dues recovered, we will treat our counterparties with respect and fairness.
- 2) Enforcement of security including disposal of assets pledged to us needs to be specifically approved by the CEO,
- 3) Action under SARFAESI act is taken by the company for cases outstanding more than Rs. 20 lakhs
- 4) Litigation for recovery of dues has to be approved specifically by the CEO.
- 5) There should be no delay in taking action to dispose of the marketable securities.
- 6) For the purpose of disposal of assets, it is recommended that at least 2 intermediaries are used for the sale so that we can realize the best possible value on the security.
- 7) Arbitration: We also initiate arbitration proceedings based on arbitration clauses in our loan agreements. Once the arbitrator accepts the request for appointment, he/she sends acceptance in writing to all the parties to the dispute and calls upon the claimant to file the statement of claim. We file our statement of claim before the arbitrator and if required, an application under the Arbitration and Conciliation Act, 1996 seeking appropriate interim reliefs. If the respondent(s) do not appear in the arbitration proceedings even after due service, they proceed on an ex-parte basis. The proceedings are conducted in accordance with the procedure stipulated by law and by the arbitrator. After adjudication, ex-parte or otherwise, an award is passed by the arbitrator.