

LOAN POLICY

AKASA FINANCE LIMITED

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LOAN POLICY

Chapter – I Preamble

The Reserve Bank of India (RBI) has advised Boards of NBFCs to frame an appropriate loan policy for the Company and implement the same. Accordingly, a loan policy has been formulated. This policy document on Loans & Advances outlines the guiding principles in respect of formulation of various products offered by AKASA FINANCE LIMITED ('AFL'), the terms and conditions governing the conduct of account, the delegated power to the committee/officials and other terms & conditions applicable to such loans. It is expected that this document will impart greater transparency in dealing with individual customer and create awareness among customers. Company will apply best industry practices so long as such practice does not conflict or violate RBI guidelines.

This Loan Policy aims to ensure transparent, consistent, and prudent practices in the sanction, disbursal, and recovery of loans by Akasa finance Ltd a Non-Banking Financial Company (NBFC). The policy complies with RBI's directions and aligns with the company's risk appetite, business strategy, and customer protection objectives.

Chapter - II Company Profile

Akasa Finance Limited ('AFL') is registered as a Non-Deposit Taking Non-Banking Financial Company ("**Base Layer NBFC**") on 10th January, 1995 originally in the name as Pooja Finelease Limited. It changed its name to Akasa Finance Limited on 25th November, 2021, in terms of the provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. AFL is classified as Non-Deposit taking Non-Banking Financial Company - "**Base Layer NBFC**" as per the RBI's Scale Based Regulation (SBR). AFL being a registered NBFC with the Reserve Bank of India has been primarily engaged into: (a) Investing in securities of listed and unlisted Companies; and (b) Lending activities.

The Policy guidelines governing the lending activity of AFL are brought out in the following chapters. The policy guidelines would be reviewed annually delineating the focus areas of the Company. The Company has a strong legacy of serving the financial needs of the MSME loan sector, which includes working capital funding, project financing, and other commercial requirements. Additionally, the Company provides loans for vehicles, covering two-wheelers, three-wheelers, and small electric vehicles.

This policy applies to all lending activities undertaken by the Company, including personal loans, business loans, vehicle loans, and any other financial products.

AFL's lending culture would be guided by the 'Fair Practice Code' as approved by the Board of Directors as also the approved Risk Policy and Know Your Customer (KYC) Policy.

Chapter – III Approach to Lending



Subject to RBI guidelines applicable to NBFC-Non deposit taking Non systematically important company, the Board of Directors shall give directions relating to lending activity, policy, exposure limits to various segments of clients, IRAC norms and delegation of powers. AFL would follow segmented approach to provide both market and customer focus for ensuring better business development, loan book growth, better capability building and best client satisfaction. The main principles underlying the Lending Policy would be applicable to the exposures undertaken within the country as the Board may decide from time to time. Indicative Lending Architecture for AFL will be as under: -

- i. Targeted Clients
- ii. Pre-screened Clients
- iii. Pre-sanction due diligence
- iv. Assessment of credit requirement
- v. Financial Analysis
- vi. Standardized documents and security creation
- vii. Delegation of powers
- viii. Reporting
- ix. Post-sanction credit monitoring
- x. Portfolio review / Account review
- xi. Transparency in sanction
- xii. Standard proposal formats
- xiii. Legal Search/Scrutiny of Property documents, Valuation, ROC search
- xiv. Recovery action in the event of default
- xv. Compliance with RBI / SEBI / internal guidelines

Chapter – IV Types of Loans

The product profile of AFL will cover loans for short term tenor up to 2 years and long term beyond 2 years. The loan products would be classified broadly in the following categories: -

- **Corporate Loan/Business Loan/ICDs**
- **Loan against Property**
- **Unsecured Loans**
- **Personal loans to Individuals**
- **Vehicle Loans**

#Loans against AFL's own shares prohibited

Chapter – V Policy on KYC/AML Standards, Know Your Customer Standard

- The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand its customers and its financial dealings better which in turn help it to manage its risks prudently. Thus, the KYC policy has been framed by the Company for the following purposes: -
 - To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist activities;



- To enable the Company to know / understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently;
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines;
- To take necessary steps to ensure that the dealing staff is adequately trained in KYC/AML procedures. All documents like identity proof, address proof, PAN No., CIBIL, etc. are to be collected from borrowers and guarantors while considering the loan application. Adequate documentation and verification of borrower income, identity, address, and repayment capacity is ensured.

Chapter – VI Pricing of Credit Facilities

The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Loans are sanctioned only after thorough due diligence of the borrower's creditworthiness. Accordingly, the pricing on loans and advances would be decided taking into account the above factors on case-to-case basis and will be charged on reducing balance basis for the tenure of the loan. The rate of such Loan shall be ranging from 12% p.a. to 45% p.a., payable on monthly/quarterly rests, however preferential rate of interest can be considered based on merit. The Company may adopt discrete interest rate model whereby rate of interest for same product or tenor availed by the clients would not be standardized one but could be different for different customers depending upon various factors like risk profile of customer, margin requirements tenor of loan, cost of borrowing funds, nature & value of collateral security, past track record, external rating, market conditions etc. Other Charges in line with the market practices. AFL may also levy various other charges like upfront fees, penal charges, prepayment charges, commitment charges, loan documentation charges, cheque return charges, out of pocket expenses and review/renewal fees depending upon the nature of transactions on case-to-case basis.

The company publishes its interest rate range on its website and also communicates the same transparently to borrowers

Chapter – VII Credit Approval

The Company's Board or any Committee of the Board for this purpose shall be known as the 'Credit Approval Board' or 'Credit Committee' ("the Committee"). The Credit Committee shall consist of the following persons as its members: -

- Managing Director; or
- Chief Financial Officer; or



- Any one director of the board; or
- Business Head(s)
- Credit Manager(s)

Quorum:

The quorum for any Credit Committee meeting shall be a **minimum of three members**, including the Chairperson or an authorized representative and at least one representative from the Credit/Business or Risk function.

Powers and Authority

The Credit Committee shall have the authority to:

- Review, approve, or reject loan proposals that **exceed limits delegated to individual officers** or branches.
- Evaluate **credit risk** and ensure proposals align with the company's **risk appetite** and lending policy.
- Approve lending to **related parties, high-value customers**, or **exceptions** to the standard policy, subject to Board oversight.
- Periodically review and revise **credit rating thresholds, risk scoring models, and pricing benchmarks**.
- Recommend provisioning or recovery actions for stressed accounts, and escalate matters requiring **Board intervention**.

Chapter –VIII Delegated Powers for sanction of Loans

Delegated Powers for credit Sanctions to the various authorities of the Company is with Credit Approval Board or Credit Committee and/or Managing Director of the Company.

Chapter IX - Exposure norms for Single / Group Borrowers

a. Single Counterparty:

The sum of all the exposure values of a single counterparty must not be higher than 20 percent (25 percent for Infrastructure loan/Investment) of Akasa Finance Limited's eligible capital base at all times.

(exceptional reasons for which exposure beyond 20% is being allowed in a specific case need to be justified by the Board in their Approval)

Board of the Akasa Finance Limited may allow additional 5 percent Exposure beyond 20 percent but the exposure shall not go beyond 25 percent of the eligible capital base of AFL at any point of time.

b. Group exposure



The sum of all the exposure values of a group shall not go beyond 25 percent of the eligible capital base of AFL (Additional 10 percent in respect of Infrastructure loan/investment)

- **Exposure limits:**

Single borrower \leq 25% of Tier-I capital.

Group exposure \leq 40% of Tier-I capital.

Chapter X -Review and Renewal of Loans

1. The loan facility would be due for renewal at the expiry of the loan tenure as specified at the time of loan sanction. The renewal of the loan facility would be at the sole discretion of the lender.
2. The renewal of the loan facility as aforesaid shall be on the same terms and conditions unless otherwise agreed by agreeing to new terms and conditions.
3. In case the loan is renewed, then it should be considered as a new loan, although the same may continue under same customer/loan account number and necessary renewal papers would be obtained.

Loan Repayment:

1. The loan amount shall become payable on the expiry of the loan term or as demanded by the lender before the expiry of the term loan
2. The loan shall be repayable as per the terms or unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.
3. The loan can also be repaid by the customer at any time before the expiry of the loan.

All loans disbursed by the Company shall be repaid in accordance with a repayment schedule agreed upon at the time of loan sanction. The repayment terms shall be clearly documented in the **Key Facts Statement (KFS)/Sanction Letter**, and **Loan Agreement**, and shall include:

- **Loan Tenure:** Defined in months or depending on the product type.
- **Repayment Frequency:**
 - Monthly (EMI-based) for personal, business, or vehicle loans.
- **Mode of Repayment:**
 - NACH Mandate
 - Post-Dated Cheques (PDCs)
 - UPI/IMPS/NEFT
 - Cash

Loan Repayment for demand loans:

1. The demand loan shall become payable within 90 days or such other period as decided by the sanctioning authority from the date of call back by the lender.
2. The demand loan shall be repayable unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.



3. The loan can also be repaid by the customer at any time before the expiry of the loan.

Penal Charges on Late Payment

- **Penal Interest or Charges** (if any) shall:
 - Be charged **only on the overdue amount**.
 - Be disclosed in the Key Facts Statement (KFS)/Sanction Letter, Loan Agreement.
 - Not be capitalized (i.e., no interest on interest).
 - Be reasonable and **non-compounding**, in line with RBI's Fair Lending Practices Code.

Chapter – XI Documentation and Security creation

The documentation and security creation for the loan will be done by the company's authorised officials duly following the prescribed guidelines. The prescribed documents which are approved by AFL's Legal counsel need only to be taken. Execution of relevant documents shall be done only after ensuring that the documents are adequately stamped.

In respect of loans backed by mortgage of immovable properties obtaining legal scrutiny report from the empanelled/ AFL's legal counsel by complying with the guidelines applicable for Mortgage. The valuation of immovable properties offered as security by the potential clients need to be valued by empanelled valuers approved by AFL.

Chapter –XII Restrictions on Financing

There are no specific restrictions on funding of loans & advances. But general prudence is to be observed during assessment/sanction of proposal. **Loan against the shares of AKASA FINANCE LIMITED is prohibited.**

Chapter –XIII Assets Classification:

(i) Standard Assets

- An asset which does **not disclose any problem** and does **not carry more than normal risk** attached to the business.
- Repayment of principal and interest is **regular** and within agreed timelines.
- The account is not overdue for more than the applicable threshold as prescribed by the RBI.

Transition Timeline for NPA Recognition (for NBFC-Base Layer):

- Overdue >150 days – classified as NPA by **31st March 2024**
- Overdue >120 days – by **31st March 2025**
- Overdue >90 days – by **31st March 2026**
(Source: RBI Notification – Scale-Based Regulation Framework)

(ii) Sub-Standard Assets

- A loan or advance which has remained **non-performing (NPA)** for a period **not exceeding 12 months**.



- It exhibits well-defined credit weaknesses, such as:
 - Financial deterioration of borrower
 - Weak cash flow
 - Inadequate security cover or realization risk

During this period, such assets attract **higher provisioning norms** as prescribed by RBI.

(iii) Doubtful Assets

- A loan or advance which has remained in the **sub-standard category for a period exceeding 12 months**.
- It has all weaknesses inherent in sub-standard assets with added risk of collection being highly questionable or improbable.
- Classification into this category will depend on:
 - Duration of default
 - Market value and realizability of security

Provisioning must be made in accordance with asset age and security status.

(iv) Loss Assets

- A loan or advance where the loss has been identified by:
 - The NBFC or internal auditor,
 - Statutory auditor,
 - Or by the RBI Inspection Team,

and where the amount is not fully written off, although partial recovery may still be possible.

- These assets are considered **uncollectible** and must be **fully provided for**.

Additional Guidelines

- **Income Recognition** on NPAs shall be **on a cash basis only**.
- **Security Value** shall be reviewed periodically and adjusted in provisioning calculations.
- Provisioning on:
 - **Standard Assets:** 0.25% or as prescribed.
 - **Sub-standard/Doubtful/Loss Assets:** As per the age and security of the exposure, in line with the latest RBI norms.

“Non-Performing Asset” shall mean:

- a) an asset, in respect of which, interest has remained overdue for a period of six months or more;
- b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- d) a bill which remains overdue for a period of six months or more;
- e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of six months or more;



- f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;
- h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset

Chapter – XIV Miscellaneous provisions

1. Compliance of Regulatory guidelines

During the course of its operations, the Company shall strictly adhere to various guidelines as may be stipulated from time to time, by the RBI. These guidelines will include:

- Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“**Master Directions**”)
- Adherence to Anti Money Laundering Standards (“AML”) – Prevention of Money Laundering Act, 2002 as amended, read with the relevant rules and obligations of NBFCs
- Guidelines on Fair Practices Code for NBFCs
- Circulars, Guidelines and Clarifications as may be issued from time to time by RBI

Pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines/ norms/ clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act /regulation will have overriding effect on the parameter(s).

2. Regulatory Restrictions on Loans and Advances

a. Loans and advances to Directors

Unless sanctioned by the Board of Directors/ Committee of Directors, the Company shall not grant any loans and advances aggregating Rs. 5,00,00,000/- (Rupees Five crores only) and above to –

- (i) its Directors (including the Managing Director, if any) or relatives of the directors;



- (ii) any firm in which any of the Directors of the Company or their relatives are interested as a partner, manager, employee or guarantor; and
- (iii) any company in which any of the Directors of the Company, or their relatives are interested as a major shareholder, director, manager, employee or guarantor.

Provided that Director or his/her relatives shall be deemed to be interested in a Company, being the subsidiary or holding company, if they are major shareholder or in control of the respective holding or subsidiary company.

Provided that the Director who is directly or indirectly concerned or interested in any proposal should disclose the nature of their interest to the Board of Directors/the Committee when any such proposal is discussed. They should recuse themselves from the meeting unless their presence is required by the other directors for the purpose of eliciting information and the Director so required to be present shall not vote on any such proposal.

The proposals for credit facilities of an amount less than Rupees Five crore to the borrowers may be sanctioned by the Sanctioning Authority in the Company under powers vested in such authority, but the matter should be reported to the Board of Directors of the Company.

b. Loans and advances to Senior Officers of the Company

The Company shall abide by the following when granting loans and advances to their Senior Officers:

- (i) Loans and advances sanctioned to the Senior Officers of the Company shall be reported to the Board of Directors of the Company.
- (ii) No Senior Officer or any Committee comprising, inter alia, a Senior Officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that Senior Officer. Such a facility shall be sanctioned by the next higher Sanctioning Authority under the delegation of powers.
- (iii) In respect of grant of aforementioned loans mentioned at para I and II above
 - I. The Company shall obtain a declaration from the borrower giving details of the relationship of the borrower with the directors/ senior officers of the Company for loans and advances aggregating Rupees Five crore and above. The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.
 - II. The Company shall disclose in its Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per the prescribed template.



c. Loans and advances to Real Estate Sector

While appraising loan proposals involving real estate, the Company shall ensure that the borrower has obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals may be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government / other statutory authorities.

d. Explanations:

For the purpose application of regulatory restrictions on grant of Loans and Advances in paras I to IV above, the term 'loans and advances' excludes such advances granted against Government securities, Life insurance policies, Fixed deposits, Stocks and shares, Housing loans, car advances, etc. granted to an employee of the AFL under any scheme applicable generally to employees subject to the Company's interest/lien being appropriately marked with legal enforceability. While other terms such as 'control', 'relative' and 'senior officer' shall have the meanings assigned to them under the Companies Act, 2013, the term 'major shareholder' shall mean a person holding 10% or more of the paid up equity capital or five crore rupees in paid up shares, whichever is lower.

e. Capital Market Exposures

Exposure to capital market (direct and indirect) will be reckoned as sensitive exposure. Accordingly, AFL shall fix Board-approved internal limits for sensitive exposures for capital market exposures. Dynamic vulnerability assessments of various sectors and their likely impact on business, as evaluated periodically for fixing such internal exposure limits.

Ceiling on IPO Funding – There shall be a ceiling of ₹1.00 crore per borrower for financing subscription to Initial Public Offer (IPO).

Akasa Finance Limited, Lending against own shares: AFL will not lend against the security of its own shares.

Chapter - XV: Early Recognition of Stress and Reporting to Central Repository of Information on Large Credits (CRILC)

As per the directions of RBI every NBFC shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories:

Special Mention Accounts (SMA) categories



Basis for classification – Principal or interest payment or any other amount wholly or partly overdue

SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 180 days

Reserve Bank of India has set up a Central Repository of Information on Large Credits (CRILC) to collect, store, and disseminate credit data to lenders as advised by the Bank in its Circular No. DBS.No.OSMOS. 9862/33.01.018/2013-14 dated February 13, 2014 issued by the Department of Banking Supervision. All NBFCs, (Notified NBFCs, for short) shall be required to report the relevant credit information on a quarterly basis in the enclosed formats given in Annex I to CRILC once the XBRL reporting mechanism is established. Till then they shall forward the information to PCGM, Department of Banking Supervision, Reserve Bank of India, World Trade Centre, Mumbai - 400 005 in hard copy. The data includes credit information on all the borrowers having aggregate fund-based and non-fund based exposure of ₹ 5 crore and above with them and the SMA status of the borrower.

The Notified NBFCs shall be ready with the correct PAN details of their borrowers having 'Default' means non-payment of debt (as defined under the IBC) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be.

Fund based and/ or non-fund-based exposure of ₹5 crore and above duly authenticated from Income Tax records.

Chapter – XVI AMENDMENTS

The Board may amend the provisions of this Policy from time-to-time. Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved. This policy shall be reviewed annually and in case any amendments required to be done before the annual review the same may be duly reviewed and implemented as when required with the approval of the Board.

