



RAR FINCARE LIMITED

Credit Policy (Version: 2)



Objective:

The objective of the policy is better risk management and avoidance of concentration of investment/credit risks. The policy prescribes exposure limits, Credit Process for lending and collection management in respect of the investments/lending to individuals/Corporates/ MSMEs / group entities etc as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

The Policy on Exposure Norms:

1. These exposure norms are intended to align the loan / investment amounts to the repayment capacity /servicing ability of the borrower, spread the exposures over a large number of borrowers/ entities and to contain the impact of market, economic and other movements on the portfolio.
2. No exposure will be taken against RAR Fincare Limited (“the Company” / RARFL) own shares i.e. the company will not grant any loan/ advance/ overdraft or any other credit facility by whatever name, against its own shares. No exposure on partly paid shares or shares held in dematerialized form shall be considered.
3. Shares issued by the Company will not also be accepted either as primary or collateral security for any other facilities granted by the Company.
4. Exposure means and includes both funds based and non -fund based facilities.

Regulation & Norms:

As per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time, the company may follow the following exposure norms:

Concentration of Credit / Investment - The extant credit concentration limits prescribed for NBFC separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower / party and 40% for single group of borrowers / parties. Further, the concentration limits shall be determined with reference to the NBFC’s Tier 1 capital instead of their Owned Fund.

Limit	
	Overall Exposure (INR)
Single Borrower/Party	5 Cr
Single Group of Borrowers/Parties	15 Cr

Subject to the overall ceiling narrated under point 5, Individual product policy/ program shall specify the minimum and maximum loan quantum that may be granted under the product. These ceilings may be reviewed depending upon the business exigencies however in conformity with the product-specific ceiling if any prescribed by RBI.

The Company may exceed Single/Group Exposure limits subject to the overall norms prescribed by RBI on exposure limits, which shall be approved by the Board.

Aggregate exposure to a counterparty comprising both on and off-balance sheet exposures shall be calculated based on the method prescribed for capital computation in Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023; i.e., on-balance sheet exposures shall be reckoned at the outstanding amount while the off-balance sheet exposures shall be converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements of the above Master Directions. The same will be reviewed as per business and regulatory requirements and applicable norms will be stipulated based on the review.

Further, Credit Default Swaps are allowed as credit risk transfer instruments for offsetting exposure to the underlying counterparty. In addition, the exposures shall also be offset with credit risk transfer instruments listed below:

- (a) Cash margin/caution money/security deposit held as collateral on behalf of the borrower against the advances for which right to set off is available;
- (b) Central Government guaranteed claims which attract zero percent risk weight for capital computation;
- (c) State Government guaranteed claims which attract 20 percent risk weight for capital computation
- (d) Guarantees issued under the Credit Guarantee Schemes of CGTMSE, CRGFTLIH and individual schemes under NCGTC subject to meeting the conditions as specified in Note 4 of paragraph 84 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions.

Provided that to be eligible as a credit risk transfer instrument, guarantees in respect of clause (b), (c) and (d) above shall be direct, explicit, irrevocable and unconditional

While computing the exposures against single/ group borrowers, cash collaterals/ margins held if any shall be netted off.

The exposure in debentures if any shall be treated as lending and not as investments for this purpose.

The ceilings mentioned in point 5 above shall be applicable for the company to companies/ firms in its own group as well as to the borrowers/ Investee Company's group.

The term "company" would have the same meaning as defined under section 3 of the Companies Act, 1956 or a corresponding provision under Companies Act, 2013.

The term “ “companies in the group”, shall mean an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of Accounting Standard 21), Joint venture (defined in terms of Accounting Standard 27), Associate (defined in terms of Accounting Standard 23), Promoter-promoter group (as provided in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018) for listed companies, a related party (defined in terms of Accounting Standard 18), Common brand name, and investment in equity shares of 20% and above.

Off - balance sheet exposures, if any, shall be converted into credit exposure by applying the respective conversion factors as may be advised by RBI from time to time.

Company shall take into account any exemptions / relaxations as may specified in the RBI guidelines in vogue while computing the exposures against single or group borrowers.

For calculating the ceiling on exposures, the latest audited balance sheet shall be considered as the basis.

The company shall also take into cognizance the relevant & extant provisions under the Companies Act / SEBI Laws while considering investments/inter-corporate loans and advances/ Loans against shares / exposures to directors & others having substantial interest.

Exposures to capital market shall be properly classified so and shall be reported to RBI on demand or pursuant to any circular, guidelines etc., issued by RBI from time to time.

All top-up loans extended by the Company against movable assets which are inherently depreciating in nature, such as vehicles, shall be treated as unsecured loans for credit appraisal, prudential limits and exposure purposes

Regulatory Restrictions on Loans/Investments:

The company shall be subject to regulatory restrictions in respect of the following:

- Granting loans and advances to directors, their relatives and to entities where directors or their relatives have major shareholding.
- Granting loans and advances to Senior Officers of RAR Fincare Limited/Company
- While appraising loan proposals involving real estate, the company shall ensure that the borrowers have obtained prior permission from government / local governments / 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 could be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government authorities

- The Company shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in their debtor company. If an AIF scheme, in which the Company is already an investor, makes a downstream investment in any such debtor company, then the Company shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. In case the Company are not able to liquidate their investments within the above-prescribed time limit, they shall make 100 percent provision on such investments. Further, , investment by the Company in the subordinated units of any AIF scheme with a ‘priority distribution model’ shall be subject to full deduction from capital funds of the Company.

Sensitive Sector Exposure (SSE)

Exposure to Capital Market (direct and Indirect) and Commercial Real estate shall be reckoned as sensitive exposure the company. The following are the exposure limits set:

- a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO)
- Commercial Real Estate funding can be undertaken not exceeding Single/Group Exposure Limits at management discretion (CEO).

Loans Against Collateral Security Of Shares For Working Capital/Capex

The Company being an NBFC categorized in ‘Base Layer’ as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, may lend against the collateral of listed shares only and shall:

- maintain a Loan to Value (LTV) ratio of 50 percent for loans granted against the collateral of shares. LTV ratio of 50 percent is required to be maintained at all times. Any shortfall in the maintenance of the 50 percent LTV occurring on account of movement in the share prices shall be made good within 7 working days.
- in case where lending is being done for investment in capital markets, accept only Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003, issued by SEBI as amended from time to time) as collateral for loans of value more than ₹5 lakh, subject to review by the Reserve Bank.
- report on-line to stock exchanges on a quarterly basis

Further, in case of a drop in share price beyond 10%, the borrower shall arrange to pledge additional shares to bridge the shortfall within 7 days from the date of intimation, failing which the Company shall have the discretion to invoke the pledge and sell the shares at prevailing market value to cover the shortfall.

Any deviation to the above shall be done staying within the ambit of the RBI norms as prescribed in Direction 36 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as updated from time to time and at the discretion of the Chief Executive Officer of the Company.

Lending Philosophy

RAR Fincare Limited will continue to establish high quality, profitable relationships and provide excellent service to customers in its focus market areas. Its emphasis will be on need-based financing and fulfilling social obligations. The key goals are to control risks and to achieve the most efficient allocation

of its financial resources. Its priorities in the order of importance are ‘Quality Portfolio’, ‘Customer Satisfaction’ and ‘Prudent Growth’. It will continue to lend only when risks have been clearly identified and are within acceptable parameters. It will maintain a diversified portfolio through conservative limits on borrower and industry concentrations. It will closely and proactively monitor the performance of the borrowers coming under various risk categories in order to improve / maintain the quality of its loan portfolio.

General Credit Norms

All norms defined herewith in the Policy apply to the general terms of Onward Lending Business, to the terms of MSME / Non-MSME/Traders/Business Finance. A separate Product and Credit Note shall be prepared for any alliance specific programs and such norms will apply for all cases originating through those programs

Product & Customer – Onward Lending

Parameter	Criteria
Target Segment	<ul style="list-style-type: none"> Financial Institutions registered under Central Government / State Governments / Regulators such as RBI, NHB etc or also registered with MFin / Sa-Dhan
Purpose	For onward lending to customers of borrowing financial institution (other than direct or indirect Jewel Loan lending)
Types of products	<ul style="list-style-type: none"> Secured Term Loan: Unsecured Term Loan <p><i>As and when new credit/ loan products are designed, the same shall be placed before the Credit Committee for review and implementation on an ongoing basis. The updated policy with the product note shall be placed before the Board for formal approval on an annual basis. The product program note shall contain all details like eligibility, purpose, pricing, security and credit parameters</i></p>
Customer Segment (Borrower/ Applicant)	Acceptable categories of Applicants: <ul style="list-style-type: none"> Pvt Ltd company Public Ltd company Trust Society / Association of persons Non Government Organizations (NGOs)
Loan Amount	As part of Onward Lending business, RAR Fincare Limited shall have a maximum cap on the quantum of loan that can be disbursed as per the limits mentioned in the Delegation of powers, subject to overall exposure limits as set out in Policy on Exposure Norms and/or limits approved by the Board as & when done and/or limits prescribed by any Regulator from time to time.
Guarantor	<ul style="list-style-type: none"> Guarantor refers to the person providing guarantee to secure the

	<p>obligations under Loan agreement in case of non-adherence to sanction norms by the (co)applicant</p> <ul style="list-style-type: none"> • Guarantor and applicant relationship must be clearly identified • In case of individual guarantor, a personal guarantee bond duly signed by the Guarantor needs to be taken (as applicable under state law) • Final decision on need and acceptance of guarantor lies with the Credit Department 						
Co-borrower / Co- Applicant	<ul style="list-style-type: none"> • Co borrowers must have a defined stake in the Lending Business in case of a limited company 						
Rate of Interest	<p>To sustain interest income and ensure adherence to business objectives, loan products shall be appropriately priced.</p> <ul style="list-style-type: none"> • The rate of interest charged under different products are provided in the Interest Rate & Gradation Policy: • Interest rate offered on all Onward Lending loans will be fixed one calculated on reducing balance. • The applicable interest rate across each product/ scheme will be updated by the Corporate Head Office on a periodic basis • The rate of interest as on the date of first disbursement would be applicable to the loan • The general interest calculation will be on reducing balance method. Decision to be taken by Credit Underwriting authority on case to case basis <p><i>The Borrower will agree that the Interest shall be calculated basis terms of the product/ scheme. RAR Fincare may at any time be entitled to change / reset or vary the Interest in respect of the credit facility depending on the changes in the Base Rate, Cost of Funds, required spread, market condition, peer pricing or any directives or periodic guidelines of the RBI or on the Borrower's credit rating with RAR Fincare.</i></p>						
Repayment Tenure	<table border="1"> <thead> <tr> <th>Product</th> <th>Maximum Loan Tenure</th> </tr> </thead> <tbody> <tr> <td>Secured Term Loan</td> <td>7 years</td> </tr> <tr> <td>Unsecured Term Loan</td> <td>3 years</td> </tr> </tbody> </table>	Product	Maximum Loan Tenure	Secured Term Loan	7 years	Unsecured Term Loan	3 years
Product	Maximum Loan Tenure						
Secured Term Loan	7 years						
Unsecured Term Loan	3 years						
Repayment Variations	<ul style="list-style-type: none"> ▪ EMI Based ▪ Interest repayment every month and principal repayment towards the end of the tenure ▪ EMI with Moratorium period 						
Repayment Modes accepted	<ul style="list-style-type: none"> ▪ ACH ▪ ECS 						

	<ul style="list-style-type: none"> ▪ Cash ▪ RTGS/NEFT ▪ Postdated cheque for EMI 										
Repayment Schedule	<table border="1"> <thead> <tr> <th style="background-color: #002060; color: white;">Disbursement Dates</th> <th style="background-color: #002060; color: white;">EMI Cycle date</th> </tr> </thead> <tbody> <tr> <td>1st to 10th</td> <td>5th of subsequent month</td> </tr> <tr> <td>11th to 15th</td> <td>10th of subsequent month</td> </tr> <tr> <td>16th to 20th</td> <td>15th of subsequent month</td> </tr> <tr> <td>21st to last day of the month</td> <td>5th of next to next month</td> </tr> </tbody> </table>	Disbursement Dates	EMI Cycle date	1st to 10th	5th of subsequent month	11th to 15th	10th of subsequent month	16th to 20th	15th of subsequent month	21st to last day of the month	5th of next to next month
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Or 1 month from the date of disbursement as mutually agreed between the Lender/Borrower/BC Partner/Co-Lender.											
Broken period interest(as applicable) shall be calculated and made applicable for all loans											
Security/ Collateral	<ul style="list-style-type: none"> • Collateral security requirement is decided basis loan requirement, individual merits, FI/PI/Due Diligence, promoter risk and business financial stability • The borrower shall agree to create a Security in such form/ manner as may be required by RAR Fincare to secure the principal amount of the facility together with interest, fees and charges etc. payable by the borrower to RAR Fincare • RAR Fincare will offer the facility to club multiple collaterals and structure a single loan. • Hypothecation, Mortgage, Assignment or Pledge wherever applicable shall be created in favour of RAR Fincare Limited • In case of registered companies, Registration of Charge (ROC) is mandatorily filed within 30 days of loan disbursement • Additional Security: In the event of the security furnished by the borrower (Security provider) is found to be insufficient in value to the loan amount, RAR Fincare Limited will redirect the borrower to furnish additional security • The valuation of the security shall be as per the Credit norms established in the Company (Technical Valuation) • RAR Fincare Limited shall have the absolute right to decide whether to accept security for the purpose of the Facility any goods, inventory, equipment, plant, property, machinery, book-debts, movables and other assets offered from time to time to by the Borrower. • RAR Fincare shall be at liberty at its sole discretion at any time without previous notice and without assigning any reason whatsoever to cease to accept the Security from the Security Provider and / or to cease making, 										

	<p>advance there against.</p> <ul style="list-style-type: none"> • The Borrower shall declare and assure that all properties on which Security is created in favor of RAR Fincare Limited are the absolute properties of the Security Provider and free from any prior mortgage, charge lien or encumbrance and the Security Provider shall not without RAR Fincare Limited’s prior written permission, lease or sell or exchange or create any mortgage, charge, lien or encumbrance of any kind upon or over the same or allow anything that may prejudice the Security while the Borrower remains indebted or liable to RAR Fincare Limited in any manner. • Loans on second charge / pari passu with Banks shall not be entertained at-least in the first two years of operations • The Borrower and/or the Security Provider shall also bear all the tax, toll, duties levies, cess or any other tax as may be imposed by the Central Government, State Government, judicial, quasi-judicial or any municipal authorities, which may be chargeable on the Secured Property and if such tax, toll, duties levies, cess is paid by RAR Fincare Limited, the Borrower shall also be liable to reimburse all such taxes, tolls, duties, levies, cess etc. to RAR Fincare Limited • In case of Registered Mortgage, the Draft deed is to be approved by legal in all cases and is to be vetted by the internal legal counsel before registration. Post registration, Credit department shall ensure that the Registered Deed is as per the draft deed vetted by the legal team • Agricultural Land with proper road access may be taken as security at the discretion of the management.
<p>Basic property eligibility checklist</p>	<ul style="list-style-type: none"> • In case of vacant land, property to have boundary wall and clearly demarked • All property title deeds need to be clear and marketable. Final decision of acceptance of eligibility lies with Credit Head subject to receiving a no-objection from both empaneled lawyer and internal legal team • In case of building, property to be insured against fire, riots etc. • In case of machinery, the liquidation / market value must be clearly established • The immovable property must be clear of any prior mortgage/ charge • Laminated property documents will not be accepted. • Collateral specific LTV requirements
<p>Negative Areas</p>	<ul style="list-style-type: none"> • Detailed list of Negative Areas provided in this Policy • Property being funded must not be located in the defined negative areas • Current residence of the applicants must not be in the defined negative areas • Negative areas will include all such locations as defined by RAR Fincare Limited Risk Committee from time to time • On field Sales team may also recommend addition of negative areas to the Credit team basis regular developments

	<ul style="list-style-type: none"> • <i>Exceptional cases can be approved only with the approval of the authority defined in the Deviation Matrix</i>
Limit Enhancement	<ul style="list-style-type: none"> • Maximum of two ad-hoc limit enhancement requests shall be considered from the borrower during a 12-month period. However, there is no restriction on additional limits based on full appraisal. • Only borrowers having excellent track record are eligible for ad-hoc limit enhancement • An enhancement of up to 20% of existing limit can be granted. Any amount greater than 20% shall require the approval of CEO • Limit enhancement charges shall be charged from the customer for the ad-hoc limit granted at the rate as mentioned at the time of sanction. In case more than three months have passed from the time of loan application to enhancement request, latest financials need to be obtained / personal and business verification to be conducted

Documentation Checklist

Considering the multiple customer profiles and product risk, the following documentation has been mandatory for accepting the customer

KYC Documentation

CREDIT BUREAU REPORTSKYC documentation for every client shall be as prescribed in the KYCAML Policy of the Company.

Income Documents

The applicants need to provide documents for income proof as per below table

Income Documents	
<p>Basic Income proof documents for all customer segments</p>	<p><u>Cases where financial statements are available</u></p> <ul style="list-style-type: none"> ▪ ITRs and Audited financials of both personal (promoters/directors of the lending entity) and business for preceding three years ▪ CA Certified financial statements can also be accepted in cases where audit is not mandatory ▪ Projected Business Financial Statements in line with the tenure of the loan proposed. ▪ GST returns wherever available <p><u>Cases where financial statements are not available</u></p> <ul style="list-style-type: none"> ▪ Cases where no financial statements are available FOIR Method will be adopted based on income estimation by the Credit Dept.

Disbursement Documents

Required Documentation at Disbursement Stage

<p>Loan Agreement Form</p>	<p>RAR Fincare Limited loan agreement form shall be executed once all original documents as per checklist have been received. This will be vetted by Credit Administration/Legal Team.</p> <p>Stamping of document shall be done as per stamp act applicable to the particular state</p> <p>For Pre-Disbursement checklist please refer to Overall document checklist section</p> <p>The account is not realized as “Sales Conversion” until all original documents as per the pre-disbursement and legal document checklist have been collected by the concerned authority</p>
<p>Property Documents</p>	<p>Original property documents shall be collected from the customer for the purpose of mortgage creation process. Laminated property documents will not be accepted.</p> <p>All property documents mandated in Legal opinion received from empaneled lawyer must be collected.</p> <p>List of documents as provided in Overall document checklist section</p>
<p>Additional documentation</p>	<ul style="list-style-type: none"> ▪ Board Resolution: <i>The company’s board to accept sanction by RAR Fincare Limited by way of passing a board resolution</i> ▪ The company common seal must be affixed on the board resolution ▪ In case the company is the owner of the property being mortgaged, necessary forms to be executed & submitted with ROC and regulatory bodies ▪ ROC Search result to authenticate whether the proposed property for purchase is free from encumbrance

Business Eligibility

General Business Eligibility

<p>Business Vintage</p>	<p>Minimum of one year</p>
<p>CREDIT BUREAU REPORTS Score</p>	<p>Commercial CREDIT BUREAU REPORTS: Case to case basis (Minimum acceptable commercial CREDIT BUREAU REPORTS score is CMR-5); However CMR Rating > 5 may can be based on repayment track record at management discretion. CREDIT BUREAU REPORTS score of promoter</p>

	directors: If any promoter director has CREDIT BUREAU REPORTS score less than 600, then the loan needs to go through CEO approval
Net Worth and Cash flow	Current net worth of the company shall be positive
Leverage Ratio	Should not exceed the limit set by regulating agencies (RBI, NHB etc.)
Capital adequacy ratio	As per RBI regulatory guidelines
Portfolio at risk > 90 days	Should be less than 3% of the total portfolio. CEO has discretion to consider if PAR > 90 days is above 3 .If its above 10 , then it needs to referred to Director

Bank Statement Analysis

Banking Statement Analysis

EMI	EMI bounce to be counted as part of cheque return. No EMI bounce in last 3 months and not more than 2 EMI bounces in last 6 months.
Cheque Returns	Not more than 5% outward cheque returns in terms of number of cheques presented <i>#Total of all active business current accounts to be considered</i>

Process Related

Module	Criteria
Customer Acquisition and Sourcing	<ul style="list-style-type: none"> Customers can be sourced through multiple channels including in-house sales staff, direct sales agents, corporate partners, digital platforms (website, mobile app), Debt Syndicators or other sources Customers will be given an accurate and clear description of product offerings including fees and charges on request of information Any sales incentive or customer sourcing fee to DSAs or sales staff shall be proposed by the Business team in consultation with the Finance department
Application Process	<ul style="list-style-type: none"> Application forms will be provided to customers free of cost Basic information related to fees/ schedule of charges would be provided at the time of application
Knock-off Stage (Customer Rejection)	<ul style="list-style-type: none"> The Sales team is empowered to reject customers at the application stage itself based on initial checklist However, all cases must be mandatorily logged in to LOS for reference as and when LOS is rolled out.
Dedupe	<ul style="list-style-type: none"> De-duplication check will be run to identify whether the applicant is an existing customer of RAR Fincare Limited or verify if the applicant's

	<p>previous loan applications have been rejected on any adverse grounds</p> <ul style="list-style-type: none"> • Dedupe is mandatory for all loan applications • Internal dedupe to be positive. If the dedupe is negative on account of operational reasons, deviation as per matrix can be approved. Dedupe with RBI data for money laundering and other statutory requirement is mandatory.
CREDIT BUREAU REPORTS	<ul style="list-style-type: none"> • It is mandatory to obtain the commercial CREDIT BUREAU REPORTS report of the borrowing entity • CREDIT BUREAU REPORTS should be positive. Suit filed / legal / written off / willful default categories not to be considered for funding
Credit Process Appraisal	<ul style="list-style-type: none"> • RAR Fincare Limited reserves the right to reject loan applications based on the Credit Policy as defined and updated on a periodic basis • Every application will be appraised by RAR Fincare Limited on the basis of customer background, company profile, business performance, financial viability, previous credit history and ability to service debt • The Credit Scoring Model may be customized based on sector, partner alliance and other relevant factors • The borrower can expect to be visited by RAR Fincare Limited Managers at the place of work/ residence for the purpose of Field Investigation and Personal Discussion • Borrower is expected to provide completely accurate and updated information to the best of his knowledge and ability • During the time of application, borrower agrees to provide his consent for RAR Fincare Limited to access his information through multiple sources • The nature of information requested from the borrower will vary on a case to case basis • All documentation and appraisal processes to be conducted in line with the Credit Policy
Field Investigation (FI)	<ul style="list-style-type: none"> • Field Investigations are compulsory for all loan applications • FI must be conducted at either residence or workplace of the applicants • List of activities carried out during FI will include: <ul style="list-style-type: none"> - Identity check with documents submitted - Address check for place of business and residence - Guarantor identity and residence check - Income Tax Return Check - Bank Statement validation - ROC Check (In case of limited companies) - Unit Verification - Record the interaction and carry out detailed survey to ascertain genuineness of business and claims made in application • The credit underwriting process shall also rely on outcome of the Field Investigation

	<ul style="list-style-type: none"> • Caution triggers for field investigation
Personal Discussion	<ul style="list-style-type: none"> • Personal Discussion with Credit Team/CRO/COO wherever required.
Reference Checks	<ul style="list-style-type: none"> • At least one reference check to be performed by Credit Team • This reference check shall assist in establishing contact ability with the reference. • General questions shall be asked to address the following points: <ul style="list-style-type: none"> ➢ Relation with the applicant – Business / personal. ➢ Length of the relationship. ➢ If the relation is personal – the feedback of the applicant on the personal aspects of the applicant. ➢ If the relation is a Business one – What is the nature of the relation? What is the quantum of the supply or service in monetary terms? What is the feedback on the official behavior in terms of professionalism and payments? ➢ Any other feedback
Technical Valuation in case of immovable property / Machinery	<ul style="list-style-type: none"> • One external technical valuation by an empaneled property appraiser is mandatory for all secured property loan applications • Inventory: In case of loan-book being the collateral, a verification shall be performed on an annual basis. The timeline may be revised downwards or upwards basis repayment behavior of the customer. Certain triggers such as cheque bounce, non-repayment, delayed repayment may also indicate the need for conducting office investigation and loan-book verification • Immovable Property- Land: The parameters generally expected to be covered as part of Technical valuation/ appraisal for immovable property (as in case of loan against property) shall include: <ul style="list-style-type: none"> ➢ Location and nature of land or building ➢ Extent of property (in case of land) – clear boundary demarcation to be made and recorded ➢ Documents required as per local law (Khata, Patta etc.) ➢ Particulars of sanctioned plan ➢ Adherence to plan, guidelines • Industrial Assets, Plant and Machinery: RAR Fincare Limited shall identify focus segments and a general acceptable list of collateral to lend against. This shall jointly be decided by the Business, Credit and Collections team on a periodic basis. Observation and technical evaluation report shall contain <ul style="list-style-type: none"> ➢ Specific utility of the asset ➢ Current contribution to the business output ➢ Usefulness in terms of value versus maintenance costs ➢ Estimation of value in monetary terms ➢ Current market demand ➢ Marketability and ease of disposal

	<p>Any of the below methodologies may be adopted for appropriate valuation of the property:</p> <ul style="list-style-type: none"> ▪ Market Comparison: relevant for more common assets with established market demand and transaction history ▪ Income approach: based on anticipated future income/ economic benefits associated with the property ▪ Depreciated replacement cost: calculated as estimated current cost of replacement of the asset <p>Valuation Report Format, Valuation Title Verification Process Note attached</p>
<p>Legal Verification</p>	<ul style="list-style-type: none"> • Proper legal due diligence is to be exercised to avoid substantial reduction in security valuation at the time of settlement/ realization at a later date • A third-party legal authority shall be empaneled to conduct legal verification of the security in all loan applications. The concerned authority shall be expected to conduct detailed review of the security and provide their legal opinion to the Credit underwriter at RAR Fincare Limited • All staff at branches/ head office shall comply with policy and process guidelines and ensure that assets taken as security are free from any legal deficiencies • In case of loan against property (LAP), legal opinion and encumbrance (search) report on property being taken as collateral shall be obtained from empaneled advocates. The legal appraisal report shall include: <ul style="list-style-type: none"> ➢ Tracing of clear, unencumbered and marketable title of property ➢ Type of mortgage (simple, English, equitable etc.) ➢ Title deeds to be deposited ➢ Power of Attorney ➢ Application of Stamp Duty ➢ Application of Transfer of Property Act wherever applicable ➢ Memorandum of deposit of title deeds in case of equitable mortgage ➢ Application of any other land laws of concerned state • Non-Encumbrance Certificate or Search of the records at the office of Sub-Registrar and Land Revenue records for the last 14 years (if the loan is less than INR 50 Lacs) and for 30 years (if the loan exceeds INR 50 Lacs) should be carried out or obtained to find out encumbrances and charges if any and statement to that effect to be made in the title report. If the property has been originally allotted by development agency then a search at the development agency / authority should also be conducted and it shall be ensured that there are no restrictive covenants for transfer of the property. • All documents which relate to immovable properties including mortgage or deposit of title deeds shall be compulsorily registered as per the Registration Act 1908.

<p>Sanction and Disbursement</p>	<ul style="list-style-type: none"> • Sanction of loan applications will be performed as per the Delegation of Powers (Annexure I) as defined in the Credit Policy • Any deviations from the Credit Policy will be subject to auto redirection in the workflow basis the Deviation Matrix • RAR Fincare Limited will disburse loans only after completely complying with all terms of the Credit Policy • Sanction Validity: Sanction letters would be valid for 60 days. Any request for loan amount increase/ decrease can be entertained without the need for fresh income proof
<p>Interest Rate and Pricing</p>	<ul style="list-style-type: none"> • Interest rate definition will be risk based. Interest rate will be kept competitive with aim to improve customer satisfaction, increase market share and enhance business growth. • All rates and charges would be applied as per sanction terms as detailed in the loan agreement document • A copy of the loan agreement document will be provided to the customer at the time of case execution • Any revision in interest rates/ fees/ other charges will be communicated to the customer at least 30 days before execution. • Any irregularity on account of non-payment of interest/charges/installments will attract Penal charges @ 4 % PA over and above the contracted rate on the Outstanding overdue amount till its regularized (Overdue period). Pre-payment and part pre-payment charges are also defined in the Loan agreement document. • Service requests for waiver of pre-payment and part pre-payment charges will be subject to the approval from the CEO
<p>Credit Monitoring Mechanism</p>	<ul style="list-style-type: none"> • Constant monitoring of the loan portfolio is required considering the dynamic nature of this business • All businesses/ entities having credit facility with RAR Fincare Limited would be subject to regular monitoring as per the policy. These can include visits to Office premise/branches, Regular assessments of loan-book, Monitoring of account conduct parameters like over drawings, Cheque bounces, Interest Servicing and EMI servicing etc. • Effective credit monitoring mechanism can be achieved through the below tools: <ul style="list-style-type: none"> ▪ Credit Authorization Mechanism: <i>Delegation of powers designed for Onward lending will ensure right scrutiny and review of case applications before sanction.</i> ▪ Loan Review Mechanism: <i>RAR Fincare Limited shall regularly monitor the DPD buckets.</i> ▪ Follow up of NPA accounts: <i>RAR Fincare Limited shall specially follow-up with NPA accounts and full efforts shall be made to ensure complete recovery</i>

Collection	<ul style="list-style-type: none"> • Default repayment mode for all profiles is through direct bank transfer, same will be executed by operations team of RAR Fincare Limited • Refer to detailed Collection Process Manual for information on roles, responsibilities and process
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Credit Score Model

RAR Fincare Limited will incorporate a credit score model (rule engine or customer credit score card) in order to assess the credit worthiness of an applicant. This framework will provide the underwriter with a scientific rationale to decide on the sanction amount and interest rate that can be offered to the applicant.

Product Note

Onward Lending - Secured

Purpose	For onward lending to borrowers' customers
Borrowers	As mentioned in the general credit norms
LOAN AMOUNT	
Minimum Loan Amount (INR Cr)	0.10
Maximum Loan Amount (INR Cr)	5.00
Tenure	Maximum tenure: 7 years The tenure will vary on a case to case basis as per purpose of the loan and will be decided by the underwriter assessing the case.
Rate of Interest	12% - 28% p.a The actual interest rate will be determined on a case-to-case basis and will be updated as per the interest rate policy of RAR Fincare Limited and based on market standing, financial parameters , external & internal rating.
Security	Loan receivables to an extent of 1.10x or above shall be applicable
Fees and Charges	As defined in the Schedule of Charges
Guarantors	Guarantor requirement to be decided on a case to case basis and as per the general credit norms defined.
Financial Metrics	as per assessment methodology given below.
Assessment Methodology	
Assessment methodology	<p>In addition to the credit norms specified in the section on general credit norms, appraisal of the term loan being provided involves study of the following broad parameters:</p> <ol style="list-style-type: none"> 1. Economic & Financial analysis of the business unit including future projections of sales, cash flows and expected profit to be generated over the tenure of the loan and the break-even period of the project 2. Future outlook of the sector and industry in which the

	<p>customer is operating</p> <ol style="list-style-type: none"> Appraisal of the promoter and other key personnel involved in day to day operations of the business. Adherence to all legal & statutory requirements laid down by various agencies (For ex. licenses required for operations)
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Onward Lending– Unsecured

Purpose	For onward lending to NBFCs business & FLDG purpose
Borrowers	As mentioned in the general credit norms
LOAN AMOUNT	
Minimum Loan Amount (INR Cr)	0.10
Maximum Loan Amount (INR Cr)	5
Tenure	Maximum tenure: 1 year to 3 years The tenure will vary on a case to case basis as per purpose of the loan and will be decided by the underwriter assessing the case.
Rate of Interest	12% - 28% p.a The actual interest rate will be determined on a case-to-case basis and will be updated as per the interest rate policy of RAR Fincare Limited. and based on market standing, financial parameters , external & internal rating
Fees and Charges	As defined in the <i>Schedule of Charges</i>
Guarantors	Guarantor requirement to be decided on a case to case basis and as per the general credit norms defined.
Financial metrics	as per methodology given below.
Assessment Methodology	
Assessment methodology	<p>In addition to the credit norms specified in the section on general credit norms, appraisal of the term loan being provided involves study of the following broad parameters:</p> <p>Economic & Financial analysis of the entity/unit including future projections of sales, cash flows and expected profit to be generated over the tenure of the loan and the break-even period of the project</p> <p>Future outlook of the sector and industry in which the customer is operating</p> <p>Appraisal of the promoter and other key personnel involved in day to day operations of the business.</p> <p>Adherence to all legal & statutory requirements laid down by various agencies (For ex. licenses required for operations)</p>

1. Credit Score Model



21092021 Credit Underwriting Model -

a. Negative Geographies

The sales, collections and credit functions at RAR Fincare Limited will jointly take necessary caution or restrain from lending to applicants who have their residence or place of business in the below geographies. In special cases, approval may be requested based on the Deviation Matrix

Negative Geographies
Prone to terror attacks
High occurrence of criminal and narcotic activities
Communally volatile
High political exposure
Extremely poor connectivity
Grey and Black listed Countries by FATF

b. Caution Triggers: Field Investigation

The FI override matrix provides indicative mitigants that may help mitigate the risk of the particular issue. The Credit Manager / Credit Analyst must however, consciously study each case and decide whether or not the mitigants will offset the perceived risk observed during field investigation. The override authority is mentioned in the grid below and the concerned Credit personnel having that authority must exercise his / her best judgment in each case before deciding to override any of the Negative observations. The officer may consult with their senior Credit Authority at any point in time.

The Caution Triggers are broadly categorized under the below heads:

— Business Unit

FI – Business Unit				
S.No.	Check	Result	Mitigant	Checks to be done by higher authority
1	Feedback from reference/ neighbor during business place visit	Positive / Negative	If negative, deviation to Credit Analyst	Good RTR CREDIT BUREAU REPORTS above 675 Residence FI positive
2	connectivity to the business unit	Satisfactory / Poor	If poor, deviation to Credit Analyst	
3	Stock / sign-board	Seen / Not seen	If not seen, qualitative judgment by Field Investigator based on the understanding of the business model of the customer If not seen, deviation to higher credit authority	Good RTR Residence FI Positive. Financial statements in line with observed degree of activity
4	Business set-up / Business activity / presence of employees	Present / Not present	If not present, Qualitative judgment by Field	Strong financial statement with

			Investigator based on the understanding of the business model of the customer and detailed discussion with customer to understand business management If not present, deviation to Credit Analyst	positive cash flow and net worth
5	Traceability of address or phone number	Yes / No	If no, Re-initiate Field Investigation – contact customer for accurate details	
6	Able to meet customer	Yes / No (Customer not available at work place or continuous delay in sharing availability for FI meeting)	If no, Contact sales team / customer to reschedule meeting	
7	Office type	Own / Rented / Rented cum residence	If rented cum residence, deviation to Credit Analyst	Qualitative judgment by Credit Manager based upon profile of customer & property offered as security. Healthy banking/ RTR Stays with family and satisfies residential stability Permanent Residence address details mandatorily reqd.
8	Location of business unit	Authorized area / unauthorized area	If unauthorized area, deviation to Credit Analyst	Positive legal opinion Clear title deeds and marketable
9	Business marked under litigation	Yes / No	If no, deviation to Credit Analyst	Positive legal opinion Clear title deeds

				and marketable
10	Nature of applicant	Restricted profile/ having political affiliations/ close family members in restricted profile/ having political affiliations/ proximity to local liquor store / None of the above	If not none of the above, deviation to Credit Analyst	
11	Safety precautions (Fire safety, CCTV etc.)	Yes/No	If no, deviation to Credit Analyst	Qualitative judgment by Credit based upon profile of customer & property offered as security.
13	Presence of any strikes during the last 1 year	Yes / No	If no, deviation to credit analyst with the following information: - <ul style="list-style-type: none"> • How many strikes took place in the last 1 year • Duration of each strike 	Qualitative judgement by Credit Analyst

Delegation of Powers

As per **Annexure I**

c. Deviation Matrix

*Approving Authority – for designations, please refer to Annexure I ‘Delegation of Power’
Majority of policy mitigants to be met (50% or more) to be marked as “Accepted”*

Parameter	Policy Norm	Deviation Allowed	Approving Authority		Mitigants
			Mitigant Met	Mitigant Not Met	
Delinquent Tagging	No prior defaults with RAR Fincare Limited (as provided by	Ever Delinquent is tagged as "Yes"	CRO/COO	CEO	1. Deviation allowed for secured loans only 2. LTV reduced by 10%

	<i>Dedupe)</i>				3. No instance of default(s) in the last two years 4. Any other requirements on a case to case basis subject to Banking statement analysis and financials
Collateral Ownership	100% third party collateral not acceptable	Acceptance of third party collateral shall be allowed only in case: 1. Applicant / Co-Applicant cannot cover minimum LTV requirements 2. Majority (>51%) of security coverage to be put up by main applicant	CRO/CO O	CEO	1. Relationship history of borrower and guarantor to be assessed 2. Guarantor CREDIT BUREAU REPORTS to be clean 3. Guarantor to be from the same town as the applicant
Applicant	Funding shall not be made to applicants under the Negative Customer	Applicant is under negative customer list	CRO/CO O	CEO	1. Existing customer with excellent repayment track record and no known criminal background etc 2. LTV reduced by 10% 3. CREDIT BUREAU REPORTS Score > 700
External Agency Verification	Positive output of external verification (Field, Office, Residence, Telephone, Business, Reference Check)	Marked as "Refer Cases"	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Department
RTR	At least 12 months of RTR should be made available unless the loan itself is of lower tenure. Minimum acceptable RTR for considering repayment behavior shall be 6 EMIs	No RTR or RTR availability less than 50% of proposed loan amount	CRO/CO O	CEO	Decision to be taken by Credit basis Banking statement and Financial statement analysis
Profitability	Business is profitable in the last two years	Not profitable in one of the two preceding years	CRO/CO O	CEO	1. High capex purchase made (plant, machinery) towards business expansion 2. DSCR > 1.0 3. LTV reduced by 5%

					4. Credit comfortable with expected business growth
Profitability	Business is profitable in the last two years	Business not profitable last 2 years	CRO/COO	CEO	1. High capex purchase made (plant, machinery) towards business expansion
					2. DSCR > 1.2
					3. LTV reduced by upto 10%
					4. Internal Risk Rating of CR2 or better
					6. At least operating profit must have been positive in one of the preceding two years
Documentation – ITR	Minimum (latest) 3 year ITR to be provided	ITR not provided / not available	CRO/COO	CEO	1. Meeting all business and financial eligibility norms as per policy
					2. Applied loan amount less than INR 100 lakhs
					3. Clean CREDIT BUREAU REPORTS report and satisfactory result of banking statement analysis
					4. Positive FI
Banking Quality: Cheque Returns	Inward Cheque Returns: Maximum of 2% Outward Cheque Returns: Maximum of 5%	Cheque returns higher than policy norms: Inward upto 3% Outward upto 7%) (Cheques cleared during representation within the same day to be excluded)	CRO/COO	CEO	Case to case basis - recommendation to be made by Credit Head
GST	GST details and returns to be shared mandatorily	GST not registered	CRO/COO	CEO	Detailed case review and call to be taken by Credit
Adjusted DE Ratio	Maximum DE ratio of 5	Pre-funding Debt Equity Ratio exceeds 5	CRO/COO	CEO	Detailed case review and call to be taken by Credit
Current Ratio	Minimum acceptable Current Ratio of 1.0	Current ratio less than 1.0	CRO/COO	CEO	Detailed case review and call to be taken by Credit

CREDIT BUREAU REPORTS Result	CREDIT BUREAU REPORTS output to of any promoter directors are <650	CREDIT BUREAU REPORTS result is <650	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Analyst Explanation to be provided by Branch Credit Manager The case needs to go through CEO approval
Business Vintage	Organization age less than 3 years	Business is a new venture	CRO/CO O	CEO	Strong promoter experience with satisfactory CREDIT BUREAU REPORTS
					Credit comfort to be established
					Industry growth projections positive as per underwriter
Interest Coverage	Interest Coverage of > = 1.5	Interest Coverage less than 1.5	CRO/CO O	CEO	Detailed case review and call to be taken
Adjusted Leverage (TOL/ TNW)	Adjusted Leverage = < 5	Adjusted leverage exceeds 5	CRO/CO O	CEO	Detailed case review and call to be taken
Interest Rate	As per product note		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Customer from negative area / caution profiles	As per credit policy		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Loans on second charge / pari passu with Banks	Should not be allowed		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Credit Shield	Credit shield to be mandatorily taken by the main borrower	Waiver request for Credit Shield	CRO/CO O	CEO	Waiver approval is to be provided on a case to case basis
Leverage Ratio	Should not exceed 3.5 Total Outside Liabilities/Tangible Network	Deviation to be sought if leverage ratio is between 3.5 and 5	CRO/CO O	CEO	Waiver approval is to be provided on a case-to-case basis
Portfolio at risk > 90 days	Should be less than 3% of the total portfolio	Deviation to be sought if portfolio at risk >90 days is greater than 3%	CRO/CO O	CEO	Waiver approval is to be provided on a case-to-case basis

EMI	No EMI bounce in last 6 months and not more than 2 EMI bounces in last 12 months.	>=1 EMI bounce in the last 6 months or >2 EMI bounces in the last 12 months	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
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Schedule of Charges – (However, this may vary as per sanction terms under each transaction based on bilateral discussion with the customer).

Loan processing fee	1% to 3% flat of the loan amount + Applicable GST
Due diligence charges	INR 1000 to INR 2000
Penal charges	Any irregularity on account of non-payment of interest/charges/instalments will attract Penal charges @ 4 % PA over and above the contracted rate on the Outstanding overdue amount till its regularized
Cancellation charges	INR 5,000 or 0.50% flat of the loan amount whichever is higher
Pre-payment charges (Term Loan)	1% to 4% flat on the principal outstanding
Foreclosure charges	1% to 4% flat of the principal outstanding at the time of foreclosure
Cheque bounce charges/ACH failure charges	INR 400
Repayment mode swap charges (PDC to ECS)	INR 400
Stamp duty / Stamping charges/Frinking charges	At actuals
Loan re-schedulement charges	INR 2500
Loan restructuring charges	INR 3500
Duplicate NOC or No Due Certificate	INR 250 per request
Charges towards legal expenses in case of overdue/ default/ recovery / Legal action	At actuals
Cash collection charges	1% of the collection amount for Rs. 50,000 and above Cash collection is permitted only up to INR 2,00,000
Duplicate repayment schedule	INR 300

Loan statement / Statement of account charges	INR 200
Pre-payment statement charges	INR 200
Duplicate foreclosure statement charges	INR 200
Copy of Loan agreement	INR 500
CERSAI charges	INR 250 to INR 500
Other charges – miscellaneous	At actuals

Financial Metrics – Eligibility – Business/MSME Loans


Business Eligibility: Financial Metrics									
Ratio	Limit								
Current Ratio	≥ 1.0								
Debt Equity Ratio	≤ 3.00								
Leverage (TOL/ TNW)	≤ 5								
Interest Coverage	≥ 1.0								
FOIR	<table border="1"> <thead> <tr> <th>Monthly Income (INR)</th> <th>Max. Allowable FOIR</th> </tr> </thead> <tbody> <tr> <td>Up to 50,000</td> <td>50%</td> </tr> <tr> <td>50,000 up to 1,00,000</td> <td>60%</td> </tr> <tr> <td>Above 1,00,000</td> <td>70%</td> </tr> </tbody> </table>	Monthly Income (INR)	Max. Allowable FOIR	Up to 50,000	50%	50,000 up to 1,00,000	60%	Above 1,00,000	70%
	Monthly Income (INR)	Max. Allowable FOIR							
	Up to 50,000	50%							
	50,000 up to 1,00,000	60%							
	Above 1,00,000	70%							
<i>Besides the monthly income, an extension of 70% FOIR may be made based on various conditions like loan repayment track record, CREDIT BUREAU REPORTS, financial metrics etc.</i>									

Limit Assessment Methodology

Term Loan Limit Assessment	
Maximum amount of loan that can be sanctioned is to be estimated using any of the following methods.	
Cashflow Method	<ul style="list-style-type: none"> The upper limit of the loan is to be estimated such that 50% of the

	<p>projected cashflow should be able to cover the total debt service (principal + interest) over the repayment period</p> <ul style="list-style-type: none"> • This method is suitable for companies with vintage less than 3 years
DSCR Method	<ul style="list-style-type: none"> • The upper limit of the loan is to be estimated such that the projected DSCR should be minimum 1 after considering the debt service from the proposed
TOL/TNW Method	<ul style="list-style-type: none"> • The upper limit of the loan is to be estimated such that the maximum value of the TOL/TNW ratio is 4

Formulae Tabulation

	 <p>MSME_FA_Formulae.docx</p>
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Final Limit for Sanction

The underwriter shall adopt any of the above Limit Assessment Methodology & cap the loan eligibility at the value arrived through the appropriate limit assessment methodology.

Any further adjustment to the eligible limit shall be done considering factors such as applicant CREDIT BUREAU REPORTS score, repayment track record and financials

Product & Customer – Business Loan (MSME & Others)

Small Businesses and Corporate entities alike often face seasonal funding requirements due to varying cash flows to cover operational expenses during lean periods and support for mopping up inventories during peak seasons. Also, there might arise a shortfall in predicted cash flows which might necessitate working capital borrowings.

Funding entities for meeting short-term cash flow mismatches with a shorter turnaround in the form of STL /WCDL or Bill/Invoice Discounting due to cash flow cycle mismatches is an opportunity which has the potential to scale and can be structured with adequate guard rails built in. These loans would be tenor based normally linked to the working capital cycle and would be repaid through operational cash flows and availed afresh based on the requirement.

Offering Working Capital solutions like invoice discounting or revolving short-term loans would enable us to meet the growing credit requirement of this segment. This would enable us to diversify our portfolio encompassing manufacturing and trading entities across business segments viz., Engineering, Food & Agri Processing, Sugar, Auto Components, Textiles, Cotton, FMCG etc., in addition to NBFCs.

These shall be in the form of tenor-based loans which can be repaid in part or full based on the working capital cycle. which can be availed by the customer based on their working capital cycle with an option to prepay and avail it afresh during a year. These facilities shall have a typical validity of 12 months and can be renewed annually.

The broad terms are proposed as under; -

Nature of Facility	Short-Term Working Capital Demand Loan / Invoice Discounting (Revolving Limit)
Purpose	To meet Working Capital Requirements arising out of a shortfall in cashflows
Limit	Not over Rs.5 Cr (for Secured) and Rs.15 Lacs for Unsecured.
Interest Rate	Between 15% p.a-18%p.a
Tenor	90 days to 180 days based on the Working Capital Cycle for Revolving STL/ Bill Discounting
Limit Availability	12 months for the sanction date
Compliance	Stock & Receivable Statement to be submitted for STL/WCDL and drawal to be confined to overall working capital limit; In case of Invoice Discounting underlying invoice copies evidencing the supply are to be provided for records.

Parameter	Criteria
Target Segment	<p>Funding of businesses (including MSMEs and non-MSMEs) which are found viable and in the catchment area (25KM) of RAR Fincare's branches. Typical profiles of customers are: -</p> <ul style="list-style-type: none"> • Businessmen in trades like kirana/provisions, medical retailers, fancy shops, garments, restaurants, hardware, agri-inputs, chemists, stationery shops, metalware, electrical & electronics, cycle shops, spare parts, traders of agriculture commodities or other commodities etc. • Small manufacturing or processing units like cottage industries, cement brick or tile makers, agro processing units, artisan units etc. • Service units like engineering works, mechanic shops, garage etc. <p>These customers are mostly retail in nature meeting the requirements of the respective town / village.</p>
Purpose	<p>The funding has to be for productive purpose and for supporting existing business / start-up businesses. Typical end uses are: -</p> <ul style="list-style-type: none"> • To increase the product / service range • Working capital requirements • Acquisition of assets / machinery / stocks • Repair of assets / machinery • Expansion of business • Debt consolidation
Types of products	<ul style="list-style-type: none"> • Term loans targeted at MSMEs (MSME Loans) <ul style="list-style-type: none"> ○ Secured ○ Unsecured • Term loans targeted at businesses that are not MSMEs (Business Loans) <ul style="list-style-type: none"> ○ Secured ○ Unsecured <p><i>As and when new credit/ loan products are designed, the same shall be</i></p>

	<p><i>placed before the Credit Committee for review and implementation on an ongoing basis. The updated policy with the product note shall be placed before the Board for formal approval on an annual basis. The product program note shall contain all details like eligibility, purpose, pricing, security and credit parameters</i></p>
<p>Customer Segment (Borrower/ Applicant)</p>	<p>a. Resident Self-Employed Professional (SEP) – <i>Example:</i> Chartered accountants and Architects. This would also include other professionals who work as consultants / retainers, get professional compensation and obtain TDS certificate in Form 16A</p> <p>b. Resident Self-Employed Non-Professional (SENP)- Sole Proprietors</p> <p>c. Non-Individual Applicants: includes Partnership firms, Private Ltd Companies and closely held public limited companies (partners/ majority shareholders/ directors to be applicants)</p> <p>Acceptable categories of Non-Individual Applicants:</p> <ul style="list-style-type: none"> • Pvt Ltd company • Public Ltd company • Partnership firm / LLP • Proprietorship • Individual <p>NOTES:</p> <ul style="list-style-type: none"> • <i>In case of co-ownership status of the pledged/ mortgaged/ assigned security, all owners must be inducted as borrowers and co-borrowers to the case</i> <p>Related to Limited companies</p> <ul style="list-style-type: none"> • <i>At least two directors to be inducted as borrower / co-borrowers</i> <p>Related to Third Parties</p> <ul style="list-style-type: none"> • <i>Third party collateral shall be accepted only in case the applicant's security is unable to cover required loan amount as per LTV norms. In such a scenario, it is to be ensured that majority of security coverage is to be put up by the applicant/ borrower or close relatives</i> <p>Related to lending to Proprietorship</p> <ul style="list-style-type: none"> • <i>In case the proprietorship is owned by wife and day to day operations are run/ managed by husband, the husband needs to be added as a co-applicant / guarantor.</i> • <i>In above cases, Husband's KYC, CREDIT BUREAU REPORTS and</i>

	<p><i>signature on application need to be mandatorily taken</i></p> <p><i>Related to lending to Partnership</i></p> <ul style="list-style-type: none"> • <i>While sanctioning to partnership firms, it must be ensured that the applicants are authorized to apply for financing as per the Partnership deed. In cases where the Partnership deed is silent on identifying the authorities, a specific Power of Attorney is to be taken (legally authorizing the main partner to avail financing for the partnership)</i> • <i>Majority shareholders (51% and higher) in the partnership need to be recorded as co-applicants</i> • <i>The contactability/ reachability of all partners through the tenure of the loan should be established before sanction</i> • <i>If the security is owned by the partnership firm, then the firm needs to be registered in ROF</i> <p><i>Related to Partner who is an NRI</i></p> <ul style="list-style-type: none"> • <i>Loan sanctions to partnership firms where one of the partners is an NRI shall be avoided where the Partnership deed does not specify which of the partners are legally authorized to avail external financing for the partnership.</i> • <i>Final decision lies with the Credit department who will verify if Power of Attorney is available or if minimum 51% shareholder guarantee is obtained</i> <p><i>Negative Customer Criteria</i></p> <ul style="list-style-type: none"> • <i>Funding shall not be made to applicants under the Negative Customer List</i> • <i>Special approvals may be made only by relevant authorities as established in the Deviation Matrix</i>
Age	<p>Minimum Age:</p> <ol style="list-style-type: none"> a. 23 years at the time of application in case of main applicant b. 21 years at the time of application in case of co-applicant / guarantor <p>Maximum Age</p> <ol style="list-style-type: none"> a. In case of a proprietorship entity, the sole-proprietor shall not be more than 65 years of age while applying for loan and shall not be more than 70 years of age at the time of maturity b. In case of a partnership, average age of majority shareholder partners shall not be more than 65 years of age while applying for loan and shall not be more than 70 years of age at the time of maturity c. The age of the property holder can be greater than 65 years of age while applying for loan and shall not be more than 70 years of age at the time of maturity if the relationship between the concerned parties (co-applicant/ guarantor) is clearly defined

	<p><i>A deviation of maximum age limit for proprietorship shall be entertained only in the scenario that applicant is the head of family business who has been running operations for more than 20 years and the next generation heirs to business are signing as co-applicants.</i></p> <p><i>Only valid documents to be accepted for age proof:</i></p> <ul style="list-style-type: none"> • <i>Passport</i> • <i>Aadhaar Card</i> • <i>PAN Card</i> • <i>Driving License</i> • <i>Life Insurance Policy</i> • <i>Birth Certificate (Govt. agency)</i> • <i>School Leaving certificate (10th)</i> • <i>Employee ID (only for PSU/Govt. Employees)</i> <p><i>#identification of Legal Heir to be done as per applicable laws</i></p>
Loan Amount	<p>RAR Fincare Limited shall have a maximum cap on the quantum of loan that can be disbursed as per the limits mentioned in the Delegation of powers</p> <p>Individual product-wise range are provided in the Product Note.</p>
Guarantor	<ul style="list-style-type: none"> • Guarantor refers to the person providing guarantee to secure the obligations under Loan agreement • Guarantor and applicant relationship must be clearly identified • Guarantor residence shall be from the same town as that of the applicant • In case of individual guarantor, a personal guarantee bond duly signed by the Guarantor needs to be taken (as applicable under state law) • Final decision on need and acceptance of guarantor lies with the Credit Department
Co-borrower / Co-Applicant	<ul style="list-style-type: none"> • Co borrowers must have a defined stake in the Business in case of a partnership or limited company • Co-borrowers shall be blood relative in case applicant is a sole proprietorship firm
Business/ Residence Stability	<p>At least three years</p> <p><i>In case the applicant does not meet the minimum residence stability, refer to the Deviation Matrix</i></p>
Education Qualification	<p>The borrower(s) / co-borrower(s) shall be literate and should be able to understand the terms and conditions.</p>
Rate of Interest	<p>To sustain interest income and ensure adherence to business objectives, loan products shall be appropriately priced.</p> <ul style="list-style-type: none"> • The rate of interest charged under different products are provided below: <ul style="list-style-type: none"> ❖ MSME Loans <ul style="list-style-type: none"> ▪ Secured: 12% - 28% p.a

	<ul style="list-style-type: none"> ▪ Unsecured: 13% - 28% p.a ❖ Business Loans(Non MSME Loans) <ul style="list-style-type: none"> ▪ Secured: 12% - 28% p.a ▪ Unsecured: 13% - 28% p.a • Interest rate offered on the all MSME / Business loans will be fixed • The applicable interest rate across each product/ scheme will be updated by the Corporate Head Office on a periodic basis • The rate of interest as on the date of first disbursement would be applicable to the loan • The general interest calculation will be on reducing balance method. Decision to be taken by Credit Underwriting authority on case to case basis • CEO approval mandatory for any loans with interest rate below the prescribed slab <p><i>The Borrower will agree that the Interest shall be calculated basis terms of the product/ scheme. RAR Fincare Limited may at any time be entitled to change / reset or vary the Interest in respect of the credit facility depending on the changes in the Base Rate, Cost of Funds, required spread, market condition, peer pricing or any directives or periodic guidelines of the RBI or on the Borrower's credit rating with RAR Fincare</i></p>										
Repayment Tenure	<table border="1" data-bbox="500 1077 1289 1413"> <thead> <tr> <th>Product</th> <th>Maximum Loan Tenure</th> </tr> </thead> <tbody> <tr> <td>MSME Loans – Secured</td> <td>7 years</td> </tr> <tr> <td>MSME Loans – Unsecured</td> <td>3 years</td> </tr> <tr> <td>Business Loan - Secured</td> <td>7 years</td> </tr> <tr> <td>Business Loan - Unsecured</td> <td>3 years</td> </tr> </tbody> </table> <p>Any increase in tenor of unsecured loans beyond 3 years up to 5 years shall be at the discretion of CEO. In case of working capital, the tenor would be in line with working capital cycle and will not exceed 180 days and the facilities are renewable annually.</p>	Product	Maximum Loan Tenure	MSME Loans – Secured	7 years	MSME Loans – Unsecured	3 years	Business Loan - Secured	7 years	Business Loan - Unsecured	3 years
Product	Maximum Loan Tenure										
MSME Loans – Secured	7 years										
MSME Loans – Unsecured	3 years										
Business Loan - Secured	7 years										
Business Loan - Unsecured	3 years										
Repayment Variations	<ul style="list-style-type: none"> ▪ EMI based – Equated Monthly Installments ▪ Bullet Payment - Interest repayment every month and principal repayment towards the end of the tenure ▪ EMI with moratorium 										
Repayment Modes accepted	<ul style="list-style-type: none"> ▪ NACH ▪ UPI ▪ ECS ▪ Cash 										

	<ul style="list-style-type: none"> ▪ RTGS/NEFT ▪ PDC ▪ Postdated cheques for EMI
Repayment Schedule	As per repayment schedule/KFS provided to each customer post sanction/disbursement.
Security/ Collateral	<ul style="list-style-type: none"> • The detailed list of what constitutes an “Acceptable Collateral” is provided in this policy and on case to case basis. • RAR Fincare Limited will offer the facility to club multiple collaterals and structure a single loan. • Collateral security requirement is decided basis loan requirement, individual merits, FI/PI/Due Diligence, promoter risk and business financial stability • The borrower shall agree to create a Security in such form/ manner as may be required by RAR Fincare Limited to secure the principal amount of the facility together with interest, fees and charges etc. payable by the borrower to RAR Fincare Limited • Hypothecation, Mortgage, Assignment or Pledge wherever applicable shall be created in favour of RAR Fincare Limited • In case of registered companies, Registration of Charge (ROC) is mandatorily filed within 30 days of loan disbursement • If the borrower is a partnership firm and the property is owned by the firm, then firm needs to be registered with ROF • Additional Security: In the event of the security furnished by the borrower (Security provider) is found to be insufficient in value to the loan amount, RAR Fincare Limited will redirect the borrower to furnish additional security • The valuation of the security shall be as per the Credit norms established in the Company • RAR Fincare Limited shall have the absolute right to decide whether to accept as security for the purpose of the Facility any goods, inventory, equipment, plant, property, machinery, book-debts, movables and other assets offered from time to time to by the Borrower. • RAR Fincare Limited shall be at liberty at its sole discretion at any time without previous notice and without assigning any reason whatsoever to cease to accept the Security from the Security Provider and / or to cease making, advance there against. • The Borrower shall declare and assure that all properties on which Security is created in favor of RAR Fincare Limited are the absolute properties of the Security Provider and free from any prior mortgage, charge lien or encumbrance and the Security Provider shall not without RAR Fincare Limited’s prior written permission, lease or sell or exchange or create any mortgage, charge, lien or encumbrance of any kind upon or over the same or allow anything that may prejudice the Security while the Borrower remains indebted or liable to RAR Fincare

	<p>Limited in any manner.</p> <ul style="list-style-type: none"> Loans on second charge / pari passu with Banks shall not be entertained at-least in the first two years of operations with deviation permitted after approval from CEO The Borrower and/or the Security Provider shall also bear all the tax, toll, duties levies, cess or any other tax as may be imposed by the Central Government, State Government, judicial, quasi-judicial or any municipal authorities, which may be chargeable on the Secured Property and if such tax, toll, duties levies, cess is paid by RAR Fincare Limited, the Borrower shall also be liable to reimburse all such taxes, tolls, duties, levies, cess etc. to RAR Fincare Limited In case of Registered Mortgage, the Draft deed is to be approved by legal in all cases and is to be vetted by the internal/empaneled legal counsel before registration. Post registration, Credit department shall ensure that the Registered Deed is as per the draft deed vetted by the legal team. Any other form of alternate security outside of the acceptable collateral list shall be approved by Credit Head. The market demand, value and challenges associated with liquidating the asset need to be verified before including in the acceptable collateral list
<p>Basic property eligibility checklist</p>	<ul style="list-style-type: none"> All property title deeds need to be clear and marketable. Final decision of acceptance of eligibility lies with Credit Head subject to receiving a no-objection from both empaneled lawyer and internal legal team In case of building, property to be insured against fire, riots etc. or should be endorsed in favor of RAR Fincare Limited In case of machinery, the liquidation / market value must be clearly established The immovable property must be clear of any prior mortgage/ charge Laminated property documents will not be accepted. Collateral specific LTV requirements <p><u>Loan Against Machinery</u></p> <ul style="list-style-type: none"> The residual age of machinery should be a minimum 10 years
<p>Negative Areas</p>	<ul style="list-style-type: none"> Detailed list of Negative Areas Property being funded must not be located in the defined negative areas Current residence of the applicants must not be in the defined negative areas Negative areas will include all such locations as defined by RAR Fincare Limited Risk Committee from time to time On field Sales team may also recommend addition of negative areas to the Credit team basis regular developments <i>Exceptional cases can be approved only with the approval of the authority defined in the Deviation Matrix</i>

Caution Profiles	<p>Credit will not be extended to the “Negative Customer” profiles:</p> <ul style="list-style-type: none"> • The list of caution profiles is mentioned in the Negative Customer List: Annexure #2 • Borrower / Co borrower / guarantor must not belong to a profile mentioned in the list of caution profiles • Exceptional cases can be done only with the approval of the authority defined in the approval grid – Deviation Matrix
Insurance	<ul style="list-style-type: none"> • Credit Shield (Suraksha Kavach) to be taken by the borrower mandatorily. Deviation is to be obtained otherwise • In case of secured loans, the primary asset or collateral must be fully insured. In case the customer has an existing insurance on the collateral, the same shall be accepted by RAR Fincare Limited • All premiums and additional costs shall be borne by the customer • If premium is more than 1%, RAR Fincare Limited can add premium in Loan amount and premium is to be deducted upfront from the loan amount • The Operations team shall conduct annual verification to ensure renewal of credit shield insurance policies • Any waiver on insurance requirements shall be approved by CEO
Limit Enhancement	<ul style="list-style-type: none"> • Typically, an ad-hoc limit enhancement shall not be considered

Documentation Checklist

Considering the multiple customer profiles and product risk, the following documentation has been mandatory for accepting the customer

KYC Documentation Guidelines

KYC documents to be collected and verified as per the KYC AML policy of the Company. KYC Guidelines as per RBI directions issued from time to time shall be superseding if there happens to be any discrepancies.

Note: KYC documents collected to be self-attested and stamped as ‘Original Seen and Verified’ by the concerned authority (Sales) in case documents are sourced through branch sales staff.

Bank Statement

- Bank statements for preceding 3 to 6 months to be mandatorily collected at the time of loan application whose income is being considered for eligibility.
- In addition to the above, the last 3 months statements for any other account from which EMIs of existing loans are being serviced.
- The average bank balance is calculated as on the 5th of every month
- At least 6 months of bank statement to be obtained from the guarantor and co-applicant
- CC/ OD bank statement to be mandatorily collected for at least 12 months or vintage of the account, whichever is lower

- The details of bank statement requirement for different applicant categories are provided below

Bank Statement Norms	
Sole Proprietorship	Main bank account (CA or SA) reflecting all business transactions and registered for GST shall be considered. <i>Updated bank statements for 12 months from the CA/ SA of individual applicant/ applicants</i>
Self Employed Non-Professional	Main bank account (CA or SA) reflecting all business transactions and registered for GST shall be considered. <i>Updated bank statements for 12 months from the CA/ SA of applicant/ applicants</i>
Non-Individual Applicant (LLP, Limited companies etc.)	Business operating account (CA) registered with GST shall be considered. In case of multiple active accounts, all statements need to be obtained

Application Form

- Applicant(s) must completely provide all information required in the application form
- All the applicants to the case must sign the application forms
- The application form must include recent passport size photographs of the applicant which must be self-attested via a signature across the photographs

Income Documents

The applicants need to provide documents for income proof as per below table

Income Documents	
Basic Income proof documents for all customer segments	<ul style="list-style-type: none"> ▪ ITRs for both personal and business for preceding three years ▪ Audited financials (B/S, P&L and cashflow statements) of business for preceding three years ▪ CA Certified financial statements (B/S, P&L and cashflow statements) can also be accepted in cases where audit is not mandatory ▪ Projected Business Financial Statements (3 years) ▪ GST returns wherever available for past 3 years ▪ Latest net-worth certificate signed by a CA (In case of sole proprietorship or partnership firms)

Existing Loan Details

- RTR and repayment schedule on existing loans
- Following details of existing loans



- Name of the Financial Institution
- Loan Amount
- Interest Rate
- Tenure

Disbursement Documents

Required Documentation at Disbursement Stage

<p>Loan Agreement Form</p>	<p>RAR Fincare loan agreement form shall be executed once all original documents as per checklist have been received. Stamping of document shall be done as per stamp act applicable to the place of execution. For Pre-Disbursement checklist please refer to Overall Document Checklist section The account is not realized as “Sales Conversion” until all original documents as per the pre-disbursement and legal document checklist have been collected by the concerned authority</p>
<p>Property Documents</p>	<p>Original property documents shall be collected from the customer for the purpose of mortgage creation process. Laminated property documents will not be accepted. All property documents mandated in Legal opinion received from empaneled lawyer must be collected. List of documents as provided in Overall Document Checklist section</p>
<p>Additional documentation for companies/ partnership firms</p>	<p>If the borrower is a company or a partnership, the below documentation need to be arranged for and the responsibility shall lie with the internal legal team at RAR Fincare</p> <ul style="list-style-type: none"> ▪ Board and/or shareholders Resolution: <i>The company’s board to accept sanction by RAR Fincare Limited by way of passing a board resolution and authority if the limits to the borrowing is breached.</i> ▪ The company common seal must be affixed on the board resolution ▪ In case the company is the owner of the property being mortgaged, Form 8 to be executed & submitted with ROC ▪ Partnership authorization letter (in original) specifying authorized signatories duly executed by all partners. ▪ ROC Search result to authenticate whether the proposed property for purchase is free from encumbrance. ▪ Partnership deed (registered) copy where the partnership firm is the property owner deviation to be approved by the CEO ▪ Partnership authorization letter (in original) specifying authorized signatories duly executed by all partners. ▪ Compliance Certificate by the Managing Director and/or the Company Secretary and/or the Chief Financial Officer and/or Partner/Designated Partner of the entity confirming compliance of all applicable laws of the land applicable to the entity.

Business Eligibility	
General Business Eligibility	
Business Vintage	Minimum of three years (May be relaxed at the discretion of CEO)
Profitability	Profitable in the previous two financial years <i>In case the applicant does not meet the profitability, refer to the Deviation Matrix – To be approved by CEO.</i>
CREDIT BUREAU REPORTS Score	<i>Personal CREDIT BUREAU REPORTS: Minimum of 650 Corporate CREDIT BUREAU REPORTS: Case to case basis, minimum of CMR-8 If any customer has CREDIT BUREAU REPORTS score less than 650, then the loan needs to go through CEO approval</i>
Net Worth and Cash flow	<ul style="list-style-type: none"> ▪ Current net worth of the company shall be positive
Property Ownership*	<p>Ownership of at least one immovable property (commercial or residential) *</p> <p>- <i>The property may be co-owned by the applicant and immediate dependent family</i></p> <p><i>*This is purely considered to assess the net worth of the customer and not mandatorily for collateral purpose. In exceptional cases, CEO can waive this condition based on other credit parameters.</i></p>

Bank Statement Analysis for observation	
Banking Statement Analysis	
<ul style="list-style-type: none"> ▪ Analysis of 3 to 6 months of bank account statements to be made ▪ The banking quality will be ascertained based on the below parameters: 	
Credit Summation	<p>Minimum 60% credit summation on annualized basis in the bank accounts of the customer to be ensured. However, based on the business model of the customer and as per justification provided by Credit, this can be higher. While computing the credit summation of the customer the following needs to be eliminated/excluded:</p> <ul style="list-style-type: none"> ➤ Inter account transfers ➤ Loan Credits. ➤ Non-Sales related credit like FD Maturity, Shares / Mutual Fund Sales etc. ➤ Reversals / Contra entries like Cheque bounces etc. ➤ Any other credit that is not related to business
Number of Credits	Minimum of three credits per month in the bank account excluding non-business transactions to be ensured
EMI	EMI bounce to be counted as part of cheque return. No EMI bounce in last 3

	months and not more than 2 EMI bounces in last 6 months.
Cheque Returns	Inward Cheque Returns: Maximum of 2 in last 3 months Outward Cheque Returns: Maximum of 5 in last 6 months <i>#Total of all active business current accounts to be considered</i>
Overdrawing of OD Limit	a. Overdrawing Temporary OD instances of >125% utilization should be <=5 in six months for each operating account. <i>*No. of TOD instances to be calculated based on Account check on 15th and 30th of every month for last 6 months.</i> <i>*The TOD instance shall not be active for more than 7 days</i> c. Ad-hoc Limit In cases where an ad-hoc limit has been availed, the sanction letter for the same needs to be furnished by the applicant
Average Bank balance	Recommended that Average Bank balance should be 0.50 to 1.10 times of proposed EMI

Process Related

Module	Criteria
Customer Acquisition and Sourcing	<ul style="list-style-type: none"> Customers can be sourced through multiple channels including in-house sales staff, direct sales agents, corporate partners, digital platforms (website, mobile app) Branch walk-in customers shall be eligible to avail Financing Customers will be given an accurate and clear description of product offerings including fees and charges on request of information Any sales incentive or customer sourcing fee to DSAs or sales staff shall be proposed by the Business team in consultation with the Finance department
Application Process	<ul style="list-style-type: none"> Application forms will be provided to customers free of cost Basic information related to fees/ schedule of charges would be provided at the time of application
Knock-off Stage (Customer Rejection)	<ul style="list-style-type: none"> The branch Sales team is empowered to reject customers at the application stage itself based on initial checklist However, all cases must be mandatorily logged in to LOS for reference
Dedupe	<ul style="list-style-type: none"> De-duplication check will be run to identify whether the applicant is an existing customer of RAR Fincare or verify if the applicant's previous loan applications have been rejected on any adverse grounds Dedupe is mandatory for all loan applications Internal dedupe to be positive. If the dedupe is negative on account of operational reasons, deviation as per matrix can be approved. Dedupe with RBI data for money laundering and other statutory requirement is mandatory.
CREDIT BUREAU REPORTS	<ul style="list-style-type: none"> It is mandatory to obtain the Credit Bureau scores of all applicants, co-applicants and guarantors

	<ul style="list-style-type: none"> • Corporate CREDIT BUREAU REPORTS to also be taken in case of non-individual application • CREDIT BUREAU REPORTS should be positive. Suit filed / legal / written off / willful default categories not to be considered for funding. But in case of dispute in credit card payment & reschedulement of Loan Accounts or technical error at the Bank side may be considered by CEO, if it's found genuine • In Case of non-individuals Commercial CREDIT BUREAU REPORTS report should be extracted • Minimum acceptable credit score: 650 for main applicant
<p>Credit Process</p> <p>Appraisal</p>	<ul style="list-style-type: none"> • RAR Fincare reserves the right to reject loan applications based on the Credit Policy as defined and updated on a periodic basis • Every application will be appraised by RAR Fincare on the basis of customer background, company profile, business performance, financial viability, previous credit history and ability to service debt • The Credit Scoring Model may be customized based on sector, partner alliance and other relevant factors • The borrower can expect to be visited by RAR Fincare Managers at the place of work/ residence for the purpose of Field Investigation and Personal Discussion • Borrower is expected to provide completely accurate and updated information to the best of his knowledge and ability • During the time of application, borrower agrees to provide his consent for RAR Fincare to access his information through multiple sources • The nature of information requested from the borrower will vary on a case to case basis • All documentation and appraisal processes to be conducted in line with the Credit Policy
<p>Field Investigation (FI)</p>	<ul style="list-style-type: none"> • Field Investigations are compulsory for all loan applications • FI must be conducted at either residence or workplace of the applicants • List of activities carried out during FI will include: <ul style="list-style-type: none"> - Identity check with documents submitted - Address check for place of business and residence - Guarantor identity and residence check - Income Tax Return Check - Bank Statement validation - ROC Check (In case of limited companies) - Unit Verification - Record the interaction and carry out detailed survey to ascertain genuineness of business and claims made in application • The credit underwriting process shall also rely on outcome of the Field Investigation • Caution triggers for field investigation shall be on case to case basis
<p>Personal Discussion</p>	<ul style="list-style-type: none"> • Personal Discussion by Branch Credit Manager/ Credit Analyst

	<p>compulsory in all cases. The same can be conducted in parallel with other verification activities application for the particular case.</p> <p><u>Secured Loan</u></p> <ul style="list-style-type: none"> • If proposed loan amount > 25 lakhs, Personal discussion to be done by Credit Head over telephone and Branch Credit Manager / Credit Analyst in person • If proposed loan amount < 25 lakhs Personal discussion to be done in person by at least Branch Credit Manager • For proposed loan amount < 7 lakhs, personal discussion can be done in person by Branch Credit Manager or over telephone by Credit Analyst <p><u>Unsecured Loan</u></p> <ul style="list-style-type: none"> • If proposed loan amount >5 lakhs Personal discussion shall be done by Credit Head over telephone and Branch Credit Manager / Credit Analyst in person • For proposed loan amount < 5 lakhs, personal discussion shall be done in person by Branch Credit Manager / Credit Analyst
<p>Reference Checks</p>	<ul style="list-style-type: none"> • At least one reference check to be performed by the concerned Credit Branch Manager or Branch Sales Staff during or Credit Analyst (HO Staff) during field investigation • Reference checks to be done with the references provided in the loan application form. • This reference check shall assist in establishing contactability with the reference. • General questions shall be asked to address the following points: <ul style="list-style-type: none"> ➢ Relation with the applicant – Business / personal. ➢ Length of the relationship. ➢ If the relation is personal – the feedback of the applicant on the personal aspects of the applicant. ➢ If the relation is a Business one – What is the nature of the relation? What is the quantum of the supply or service in monetary terms? What is the feedback on the official behavior in terms of professionalism and payments? ➢ Any other feedback
<p>Technical Valuation</p>	<ul style="list-style-type: none"> • One external technical valuation by an empaneled property appraiser is mandatory for all secured property loan applications • Fair market value will be arrived based on guideline value and market reference check • Loan against Inventory can be provided only post approval of CEO, below are the valuation caveats : In case of inventory being the collateral, a stock verification shall be performed on an quarterly basis. The timeline may be revised downwards or upwards basis repayment behavior of the customer. Certain triggers such as cheque bounce, non-repayment, delayed repayment may also indicate the need for conducting office investigation and stock verification <p><i>*for general credit verifier's understanding: any stock or inventory lying</i></p>

	<p><i>on the books of business for more than 6 months can be considered obsolete. For businesses involved in sale of perishable goods etc., this will be much lower (3 days up to 3 months)</i></p> <ul style="list-style-type: none"> ● Immovable Property- Land: The parameters generally expected to be covered as part of Technical valuation/ appraisal for immovable property (as in case of loan against property) shall include: <ul style="list-style-type: none"> ➤ Location and nature of land or building ➤ Extent of property (in case of land) – clear boundary demarcation to be made and recorded ➤ Documents required as per local law (Khata, Patta etc.) ➤ Particulars of sanctioned plan ➤ Adherence to plan, guidelines ● Industrial Assets, Plant and Machinery: RAR Fincare shall identify focus segments and a general acceptable list of collateral to lend against. This shall jointly be decided by the Business, Credit and Collections team on a periodic basis. Observation and technical evaluation report shall contain <ul style="list-style-type: none"> ➤ Specific utility of the asset ➤ Current contribution to the business output ➤ Usefulness in terms of value versus maintenance costs ➤ Estimation of value in monetary terms ➤ Current market demand ➤ Marketability and ease of disposal <p>Any of the below methodologies may be adopted for appropriate valuation of the property:</p> <ul style="list-style-type: none"> ▪ Market Comparison: relevant for more common assets with established market demand and transaction history ▪ Income approach: based on anticipated future income/ economic benefits associated with the property ▪ Depreciated replacement cost: calculated as estimated current cost of replacement of the asset
<p>Legal Verification</p>	<ul style="list-style-type: none"> ● Proper legal due diligence is to be exercised to avoid substantial reduction in security valuation at the time of settlement/ realization at a later date ● A third-party legal authority shall be empaneled to conduct legal verification of the security in all loan applications. The concerned authority shall be expected to conduct detailed review of the security and provide their legal opinion to the Credit underwriter at RAR Fincare ● All staff at branches/ head office shall comply with policy and process guidelines and ensure that assets taken as security are free from any legal deficiencies ● In case of loan against property (LAP), legal opinion and encumbrance (search) report on property being taken as collateral shall be obtained from empaneled advocates. The legal appraisal report shall include: <ul style="list-style-type: none"> ➤ Tracing of clear, unencumbered and marketable title of property

	<ul style="list-style-type: none"> ➤ Type of mortgage (simple, English, equitable etc.) ➤ Title deeds to be deposited ➤ Power of Attorney ➤ Application of Stamp Duty ➤ Application of Transfer of Property Act wherever applicable ➤ Memorandum of deposit of title deeds in case of equitable mortgage ➤ Application of any other land laws of concerned state <ul style="list-style-type: none"> ● Non-Encumbrance Certificate or Search of the records at the office of Sub-Registrar and Land Revenue records for the last 13 years (if the loan is less than INR 1 crore) and for 30 years (if the loan exceeds INR 1 crore) should be carried out or obtained to find out encumbrances and charges if any and statement to that effect to be made in the title report. If the property has been originally allotted by development agency then a search at the development agency / authority should also be conducted and it shall be ensured that there are no restrictive covenants for transfer of the property. ● All documents which relate to immovable properties including mortgage or deposit of title deeds shall be compulsorily registered as per the Registration Act 1908.
<p>Sanction and Disbursement</p>	<ul style="list-style-type: none"> ● Sanction of loan applications will be performed as per the Delegation of Powers as defined in the Credit Policy ● Any deviations from the Credit Policy will be subject to auto redirection in the workflow basis the Deviation Matrix ● RAR Fincare will disburse loans only after completely complying with all terms of the Credit Policy ● Sanction Validity: Sanction letters would be valid for 60 days. Any request for loan amount increase/ decrease can be entertained without the need for fresh income proof
<p>Interest Rate and Pricing</p>	<ul style="list-style-type: none"> ● Interest rate definition will be risk based. Interest rate will be kept competitive with aim to improve customer satisfaction, increase market share and enhance business growth. ● All rates and charges would be applied as per sanction terms as detailed in the loan agreement document ● A copy of the loan agreement document will be provided to the customer at the time of case execution ● Any revision in interest rates/ fees/ other charges will be communicated to the customer at least 30 days before execution. ● Any irregularity on account of non-payment of interest/charges/installments will attract Penal charges @ 4 % PA over and above the contracted rate on the Outstanding overdue amount till its regularized (Overdue Period). Pre-payment and part pre-payment charges are also defined in the Loan agreement document. ● Service requests for waiver of pre-payment and part pre-payment charges will be subject to the approval from the CEO

Credit Monitoring Mechanism	<ul style="list-style-type: none"> • Constant monitoring of the portfolio is required considering the dynamic nature of this business • All businesses/ entities having credit facility with RAR Fincare would be subject to regular monitoring as per the policy. These can include visits to Office premise and Manufacturing Units, Regular stock statements assessments and Stock verification, Monitoring of account conduct parameters like over drawings, Cheque bounces, Interest Servicing and EMI servicing etc. • Effective credit monitoring mechanism can be achieved through the below tools: <ul style="list-style-type: none"> ▪ Credit Authorization Mechanism: <i>Delegation of powers designed for MSME / Business finance will ensure right scrutiny and review of case applications before sanction.</i> ▪ Loan Review Mechanism: <i>Collections team shall regularly monitor the DPD buckets.</i> ▪ Follow up of NPA accounts: <i>Collections and recovery team shall specially follow-up with NPA accounts and full efforts shall be made to ensure complete recovery</i>
Collection	<ul style="list-style-type: none"> • Default repayment mode for all profiles is through direct bank transfer, same will be executed by operations team of RAR Fincare • Refer to detailed Collection Process Manual for information on roles, responsibilities and process

Income Eligibility Norms

General Income Eligibility Guidelines for all customer segments		
Income Category	% for eligibility	Income proof document
Gross Business Income	100%	<ul style="list-style-type: none"> • Bank statement • Stock verification • Business ledger • Order book / Purchase Invoice/ Sales bill
Rental, Interest Income from FDs	75%	<ul style="list-style-type: none"> • Agreement form in case of rental income. Rental income can be considered for income eligibility in case complete documentation proof is provided • Rental income should be reflected in ITR and supporting documents to be provided
Agricultural Income	25%	<ul style="list-style-type: none"> • Careful assessment to be done by the concerned Credit authority to establish the genuineness of the

		customer claim
Notes:		
<ul style="list-style-type: none"> If other income (including Rental, Agricultural Income, Interest Income from FD etc.) is available and backed with sufficient proof, 75% of the same shall be considered. In case Other income is already part of P&L statement, 25% of such income shall be reduced from PAT In case rental income is being considered, proof of property ownership needs to be taken 		

Credit Score Model

RAR Fincare will incorporate a credit score model (rule engine or customer credit score card) in order to assess the credit worthiness of an applicant. This framework will provide the underwriter with a scientific rationale to decide on the sanction amount and interest rate that can be offered to the applicant. The scoring model shall apply to retail loans more particularly Auto Loans for the present.

Prudential Norms

Exposure limit to product portfolio

The company proposes the below exposure limit to the MSME product portfolio for the branch led model

Product Category	Exposure Limit
Secured	Not less than 50% of Term Loans portfolio
Unsecured	Up to 25% of Term Loans portfolio

Exposure limit to sectors

The company will restrict the MSME portfolio exposure to various sectors as per the below guidelines.

Sector	Exposure Limit
Manufacturing	Up to 50% of MSME Advances portfolio
Services	Up to 50% of MSME Advances portfolio
Traders	Up to 50 % percent of MSME Advances portfolio

Loan Against Property

Product	Loan Against Property
Purpose	Loan against property is a term loan product designed to fund any financial requirements for business expansion.
Borrowers	As mentioned in the general credit norms

LOAN AMOUNT	
Minimum Loan Amount (INR Lakhs)	5
Maximum Loan Amount (INR Lakhs)	500
Tenure	<p>Minimum Tenure: 1 year</p> <p>Maximum tenure: 7 years</p> <p>The tenure will vary on a case to case basis as per purpose of the loan and will be decided by the underwriter assessing the case.</p>
Rate of Interest	<p>12% - 28%</p> <p>The actual interest rate will be determined on a case-to-case basis and will be updated as per the interest rate policy of RAR Fincare.</p>
Security	<p>Primary security will be the property being provided as security.</p> <ul style="list-style-type: none"> • Mortgage to be created on the property financed by way of deposit of title deeds subject to State laws (Equitable mortgage to be registered wherever required) • The property should not be mortgaged to any party at the time of sanctioning the loan
Fees and Charges	As defined in the <i>Schedule of Charges</i>
Eligibility	<ul style="list-style-type: none"> ▪ All the personal & business eligibility criteria as mentioned in the general credit norms are applicable.
Financial metrics	<ul style="list-style-type: none"> ▪ Financial metrics of the borrowing entity should be compliant with guidelines framed by the Company on case to case basis.
Assessment Methodology	
Limit Assessment	<p>In addition to the credit norms specified in the section on general credit norms, appraisal of the term loan being provided involves study of the following broad parameters:</p> <ol style="list-style-type: none"> 1) Economic & Financial analysis of the business including future projections of sales, cash flows and expected profit to be generated

	<p>over the tenure of the loan and the break-even period of the project</p> <ol style="list-style-type: none"> 2) Future outlook of the sector and industry in which the customer is operating 3) Appraisal of the promoter and other key personnel involved in day to day operations of the business. 4) Adherence to all legal & statutory requirements laid down by various agencies (For ex. licenses required for operations)
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Loan Against Machinery

Product		Loan Against Machinery
Purpose		<p>Loan against machinery is a term loan product designed to fund capital expenses incurred towards:</p> <ol style="list-style-type: none"> 1) Purchase of new industrial machinery 2) Purchase of used/refurbished machinery 3) Repair of existing machinery (free of any hypothecation) 4) Upgradation of machinery for increasing overall productivity of the plant. 5) Loan against machinery for business expansion purposes <p>The loan is designed to help businesses in increasing their productivity and expand their business</p>
Borrowers		<ul style="list-style-type: none"> • MSMEs as defined by Dept of MSMEs, Government of India • Non MSME businesses
LOAN AMOUNT (INR)		
Minimum Amount	Loan	5 lakhs
Maximum Amount	Loan	<p>500 lakhs</p> <ul style="list-style-type: none"> • The residual age of machinery must be minimum 10 years • For new machinery, loan can be sanctioned up to the invoice value
Tenure		<p>Tenure: 1 year to 7 years</p> <p>Tenure of the loan will be determined basis the useful life of the machine as evaluated by the valuation team along with other considerations such as repayment capability of the borrower.</p>

Rate of Interest	<p>12% - 28%</p> <p>The actual interest rate will be determined on a case-to-case basis and will be updated as per the interest rate policy of RAR Fincare.</p>
Security	<p>Primary security will be the machinery being purchased/ refinanced.</p> <ul style="list-style-type: none"> • Deed of Hypothecation to be created on the machine being financed • Only first charge on the machinery being funded will be acceptable.
Fees and Charges	As defined in the <i>Schedule of Charges</i>
Collateral	In case of funding against existing machinery (refinance program), the machine will be accepted as the collateral subject to meeting of eligibility criteria and compatibility with acceptable machinery list
Eligibility	All the personal & business eligibility criteria as mentioned in the general credit norms are applicable.
Financial metrics	<ul style="list-style-type: none"> ▪ Financial metrics of the borrowing entity should be compliant with guidelines framed on case to case basis.
Assessment Methodology	
Limit assessment	<p>In addition to the credit norms specified in the section on general credit norms, appraisal of the term loan being provided for financing of equipment involves study of the following broad parameters:</p> <ol style="list-style-type: none"> 1) Technical feasibility of the overall project being undertaken and funded 2) Economic & Financial analysis of the business unit including future projections of sales, cash flows and expected profit to be generated over the tenure of the loan and the break-even period of the project 3) Future outlook of the sector and industry in which the customer is operating 4) Appraisal of the promoter and other key personnel involved in day to day operations of the business 5) Adherence to all legal & statutory requirements laid down by various agencies (For ex. licenses required for operations)

Unsecured Term Loans

Product	Unsecured Business Loan
Purpose	Unsecured business loan is an unsecured loan product designed to help customers meet their business requirements
Borrowers	As mentioned in the general credit norms
LOAN AMOUNT	
Minimum Loan Amount (INR Lakhs)	5
Maximum Loan Amount (INR Lakhs)	500
Tenure	Maximum tenure: 3 years The tenure will vary on a case to case basis as per purpose of the loan and will be decided by the underwriter assessing the case.
Rate of Interest	13% - 28% The actual interest rate will be determined on a case-to-case basis and will be updated as per the interest rate policy of RAR Fincare.
Security	No security required.
Fees and Charges	As defined in the <i>Schedule of Charges</i>
LTV	Not applicable
Guarantors	Guarantor requirement must as per RAR Fincare policy to
Eligibility	All the personal & business eligibility criteria as mentioned in the general credit norms are applicable.
Financial metrics	Financial metrics of the borrowing entity should be compliant with guidelines framed by the Company on case to case basis.
Assessment Methodology	

<p>Assessment methodology</p>	<p>In addition to the credit norms specified in the section on general credit norms, appraisal of the term loan being provided involves study of the following broad parameters:</p> <ol style="list-style-type: none"> 1) Economic & Financial analysis of the business unit including future projections of sales, cash flows and expected profit to be generated over the tenure of the loan and the break-even period of the project 2) Future outlook of the sector and industry in which the customer is operating 3) Appraisal of the promoter and other key personnel involved in day to day operations of the business. 4) Adherence to all legal & statutory requirements laid down by various agencies (For ex. licenses required for operations)
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Interest Rate Model

The Interest Rate Model shall be as per the Interest Rate and Gradation of Risk Policy.

Any change in the above can be done if the same is within the ambit of the RBI guidelines and post approval from the CEO of the Company.

CREDIT SCORE MODEL

Credit Score Model



20092021 Credit Underwriting Model -

Negative Customer List

The Credit and Collections function at RAR Fincare will take necessary caution or restrain from lending to the below category of customers as may be applicable. In special cases, approval may be requested based on the Deviation Matrix

<p>Negative List</p>	<ul style="list-style-type: none"> • List of Terrorist Individuals / Organizations- under UNSCR 1267 (1999) and 1822(2008) on Taliban /Al-Qaida Organization • RBI Defaulter List • Under world Connection/ Terrorist/ Smuggling • Any person where it is not possible to collect or repossess due to violence / danger to field staff. • Cine Artists • Unlawful entertainment and recreation centres • Gambling and gaming business • Policemen • Politicians/Person residing in community dominated or Politically
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	<p>sensitive areas</p> <ul style="list-style-type: none"> • Liquor and Wine Business • Trade Union Officials • Meat business (Chicken / Mutton shops) • Commission agent without visible stocks and commission not credited in bank account • Production or trade in any product or activity deemed illegal under Indian laws or regulations or international conventions and agreements, or subject to international bans • Production or trade in weapons and munitions. • Production or trade in alcoholic beverages (excluding beer and wine) Gambling, casinos and equivalent enterprises • Business involved in the production, processing or distribution of illegal drugs • Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment the radioactive source to be trivial and/or adequately shielded. • Production or activities involving harmful or exploitative forms of forced labour / harmful child labour • Production or trade in weapons and ammunitions • Commercial logging operations for use in primary tropical moist forest • Production or trade in wood or other forestry products other than from sustainably managed forests • Individuals or businesses involved in illegal activities • Any other profile that is identified locally <p>For any deviation in the above list, Only CEO has the discretion to consider Loan on a case-to-case basis.</p>
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b. Acceptable Collateral List

Collateral Type	Definition and Requirements
Immovable Property	<ul style="list-style-type: none"> • Residential – Self Occupied/ Rented/ Vacant Property • Commercial properties registered in the name of the applicant, co-applicant or guarantor - Self Occupied/ On Rent owned by the borrower / Vacant Property • Industrial Property • Agricultural property with proper road access at the discretion of management. <p>If the property (residential or commercial) is rented out, the acceptance</p>

	<p>of such property as collateral is subject to the below conditions:</p> <p>The tenant contract with landlord should not be valid for more than 12 months from the time of sanction. As an alternative it can be ascertained if the agreement between tenant and landlord restricts the landlord from mortgaging/ pledging the property as collateral No Objection Certificate to be obtained from the tenants</p> <p>All Lease hold properties should be considered only post approval of the CEO. The caveats for the same are given below:</p> <p>We may accept the lease hold properties subject to the following:</p> <ol style="list-style-type: none"> 1. Residual lease period should be more than 10 years unexpired at the time of loan expiry. 2. NOC / permission to mortgage shall be mandatorily taken from the lessor. 3. Lease should have been taken only be from authorized state development authorities and not from any private lessors 4. The lease should be in favour of the person/entity applying for the loan, ie. property should be in the name of the Borrower and leased out to the Borrower by the Development authority. 5. No premium of land should remain unpaid at the time of documentation and if it is on deferred payment, no installment should stand unpaid or over-due at the time of documentation. 6. The lease should be for the object for which the loan has been applied for & the lease should be in favour of the person/persons/entity applying for the loan, otherwise this will be required to be transferred in favour of legal entity, to which loan is sanctioned. 7. Receipt of up-to-date payment of lease rent or no-dues certificate from lesser. 8. There should not be any negative covenants in the lease deed restricting mortgage/ encumbrance by the Lessee /Borrower. 9. Credit team shall carefully verify the resale-ability of the property and shall consider any restrictions on sale-ability of the property. <p>The following documents shall be mandatory documents /checks for mortgaging lease hold property</p> <ul style="list-style-type: none"> ▪ Original lease deed/s is to be obtained at the time of creation of mortgage (In addition to other documents specified by lawyer) ▪ The forwarding letter from the Development Authority (Lessor) giving permission for mortgage should be unconditional. It should not restrict the right of sale by RAR
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	<p>Fincare, keeping the first charge of the lesser over and above the claims of the RAR Fincare /financial institutions.</p> <ul style="list-style-type: none"> ▪ The search report from the concerned sub-registrar should be obtained for the period from the date of lease deed till date of mortgage. ▪ For mortgage a tripartite agreement (between RAR Fincare, Lesees, and Development Authority) may be required to be executed for mortgaging/lease hold property. Most of the developmental authorities will agree for tripartite agreement. ▪ Thorough check should be carried out at the Development authority to verify as to the dispute / litigation in respect of the lease hold property. ▪ Receipt of up-to-date payment of lease rent or no-dues certificate from Lessor. <p>Properties with deviations from sanction plan:</p> <p>Properties with deviations from sanctioned plan can be considered if:</p> <ul style="list-style-type: none"> ▪ Property is more than 10 years old ▪ Property tax has been paid in all the years without fail. <p>In such cases, only the sanctioned area/floors will be considered for valuation and funding.</p> <p>In case of properties less than 10 years old & not having sanction plan or with deviations from sanction plan, only land value will be considered on a case-to-case basis. The decision to consider such a case rests with the Credit Team.</p> <p>Residential-cum-Commercial properties:</p> <p>Properties being used for both residential and commercial activities can be considered for funding. But such cases will be accepted only basis comfort of the credit team. Some of the aspects which needs to be taken care of during appraisal of such cases are:</p> <ul style="list-style-type: none"> ▪ Multiple tenants more than 4 should be avoided. ▪ Properties with deviations with respect to usage should be avoided. For example: If an area is approved for commercial purpose, but 40% of the structure is being utilized for commercial purposes and 60% residential, such properties should not accepted and vice versa but can be considered with CEO approval ▪ For Commercial portions, commercial tax and commercial rate of electricity charges must have been paid. ▪ Indemnity agreement should be collected from applicant (holding the applicant responsible for vacating tenants in the
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	<p>event of taking possession)</p> <ul style="list-style-type: none"> ▪ Multiple owners or heirs for single property should be avoided. <p>NEGATIVE CHECK – PROPERTY CATEGORIES</p> <ul style="list-style-type: none"> • Under construction property • Property outside geography areas • Property outside city/ municipal limit or mortgage locations • Property in dilapidated state/ requires substantial repairs • Property constructed on agricultural land • Property being used for high risk activities like liquor store, collection agency, lottery business, real estate agency, crackers and fireworks manufacturing • Plots near graveyard, wakf property • Plots/ Open land where the boundary is not clearly demarcated • Panchayat Property • Property with a minor as a co-owner • Property owned by HUF • Properties like Schools, Montessori, Tents • Cases with laminated property documents will not be considered for funding • And other sensitive areas
<p>Machinery</p>	<ul style="list-style-type: none"> • Machinery contributing to significant percentage of company turnover (directly or indirectly) or with high utility value as identified by the technical evaluator • Original Purchase Invoice to be made available wherever required by Credit Underwriting authority • Only machinery being used in the target industry segments shall be accepted

4. Collateral Specific LTV Requirement

Collateral - Secured Loans		
Security Type	Maximum LTV	Guideline LTV
Plant and Machinery - New	80%	70% - 80%
Plant and Machinery - Existing	80%	55% - 65%
Residential Property – Self Occupied	75%	60%

Residential Property – Rented out	75%	50-55%
Commercial Property – Self Occupied	60%	50%
Commercial Property – Rented out	60%	50%
Industrial Property – Self Occupied	60%	50%
Residential-cum-Commercial property	60%	<ul style="list-style-type: none"> ▪ 55% if self-occupied ▪ 50% if let out
Plot (bounded by wall)	75%	50%
Acceptable Liquid Instruments	80%	Case to case basis

Negative Geographies

The sales, collections and credit functions at RAR Fincare Limited will jointly take necessary caution or restrain from lending to applicants who have their residence or place of business in the below geographies. In special cases, approval may be requested based on the Deviation Matrix

Negative Geographies
Prone to terror attacks
High occurrence of criminal and narcotic activities
Communally volatile
High political exposure
Extremely poor connectivity
Property in Place of worship and belongs to (Temple or Wakf Board or Church property)
Grey and Black listed Countries by FATF

Caution Triggers: Field Investigation

The FI override matrix provides indicative mitigants that may help mitigate the risk of the particular issue. The Credit Manager must however, consciously study each case and decide whether or not the mitigants will offset the perceived risk observed during field investigation. The override authority is mentioned in the grid below and the concerned Credit personnel having that authority must exercise his / her best judgment in each case before deciding to override any of the Negative observations. The officer may consult with their senior Credit Authority at any point in time.

The Caution Triggers are broadly categorized under the below heads:

- Business Unit
- Residence Unit

FI – Business Unit				
S.No.	Check	Result	Mitigant	Checks to be done by higher authority
1	Feedback from reference/ neighbor during business place visit	Positive / Negative	If negative, deviation to Credit Analyst	Good RTR CREDIT BUREAU REPORTS above 675 Residence FI positive
2	connectivity to the business unit	Satisfactory / Poor	If poor, deviation to Credit Analyst	
3	Stock / sign-board	Seen / Not seen	If not seen, qualitative judgment by Field Investigator based on the understanding of the business model of the customer If not seen, deviation to higher credit authority	Good RTR Residence FI Positive. Financial statements in line with observed degree of activity
4	Business set-up / Business activity / presence of employees	Present / Not present	If not present, Qualitative judgment by Field Investigator based on the understanding of the business model of the customer and detailed discussion with customer to understand business management If not present, deviation to Credit Analyst	Strong financial statement with positive cash flow and net worth
5	Traceability of address or phone number	Yes / No	If no, Re-initiate Field Investigation – contact customer for accurate details	
6	Able to meet customer	Yes / No (Customer not available at work place or continuous delay in sharing availability for FI meeting)	If no, Contact sales team / customer to reschedule meeting	
7	Office type	Own / Rented / Rented cum	If rented cum residence, deviation to Credit Analyst	Qualitative

		residence		judgment by Credit Manager based upon profile of customer & property offered as security. Healthy banking/ RTR Stays with family and satisfies residential stability Permanent Residence address details mandatorily reqd.
8	Location of business unit	Authorized area / unauthorized area	If unauthorized area, deviation to Credit Analyst	Positive legal opinion Clear title deeds and marketable
9	Business marked under litigation	Yes / No	If no, deviation to Credit Analyst	Positive legal opinion Clear title deeds and marketable
10	Nature of applicant	Restricted profile/ having political affiliations/ close family members in restricted profile/ having political affiliations/ proximity to local liquor store / None of the above	If not none of the above, deviation to Credit Analyst	
11	Safety precautions (Fire safety, CCTV etc.)	Yes/No	If no, deviation to Credit Analyst	Qualitative judgment by Credit based upon profile of customer & property offered as security.

13	Presence of any strikes during the last 1 year	Yes / No	If yes, deviation to credit analyst with the following information: - <ul style="list-style-type: none"> • How many strikes took place in the last 1 year • Duration of each strike 	Qualitative judgement by Credit Analyst
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FI – Residence Unit				
S.No.	Check	Result	Mitigant	Checks to be done by higher authority
1	Identify check with documents submitted	Satisfactory / Not satisfactory	If not satisfactory, then deviation to credit analyst with detailed feedback	
2	Residence ownership status	As per applicant's declaration / Not as per applicant's declaration	If not as per applicant's declaration, deviation to credit analyst	Qualitative judgment by Credit Analyst based upon profile of customer & property offered as security
3	Residence status	Residence belongs to applicant / Residence does not belong to applicant / Shifting to nearby location	If residence does not belong to applicant, deviation to credit analyst	Qualitative judgment by Credit based on factors like income, property & repayment history. Permanent address mandatory Moved temporarily due to renovation, family property partition etc. since time of loan application
4	Nature of applicant	Restricted profile/ having political affiliations/ close family members in restricted profile/ having political affiliations/ None of the above	If not none of the above, deviation to Credit Analyst	

5	Location of residence	Located in slum area/difficult to locate due to litigation or illegal constructions / None of the above	If not none of the above, deviation to Credit Analyst	Qualitative judgment by Credit based on factors like customer profile and repay history Residence stability satisfied
6	Traceability of address or phone number	Yes / No	If no, Re-initiate Field Investigation – contact customer for accurate details	
7	Nature of residence	Satisfactory / Poor living standard-Kuccha construction/Asbestos roof / Not maintained well	If not satisfactory, then the field investigator to check for: - <ul style="list-style-type: none"> • Property purchase in positive area • Office in positive area 	Credit analyst to look for: - <ul style="list-style-type: none"> • Applicants are well qualified and strong financials • Possible reduction in LTV
8	House locked for long time and neighbors confirm the same		Deviation to Credit Analyst	
9	Accommodation status	1. Owned House + Rented Out 2. Own House with family 3. Rented house with family 4. Rented house – shared accommodation 5. Rented house – stays alone	In case of 4 or 5, field investigator to do reference checks and residence stability and then deviation to credit analyst	Credit analyst to look for: - Qualitative judgment by Credit Manager based on property given as security, Income source & Qualification Good RTR, Credit Score above 675 & other dedupe checks Reference check to be done on permanent address
10	Family considerations	Family is aware of the proposed loan / Family not ready to	If family is not aware / not ready to take onus of the loan then deviation to credit	High value and easily marketable

		take onus of loan or sign as co-applicants/ Family not aware of loan	analyst	security offered as collateral Good RTR & Other market ref checks etc.
11	Standard of living	Satisfactory / Low standard of living / low income profile	If not satisfactory then deviation to credit analyst	Qualitative judgment by Credit Manager based upon business financials, business projections, CREDIT BUREAU REPORTS etc.

IMPORTANT – The Company shall release all original movable /immovable property and/or documents and/or charges registered with the registry within a period of 30 days after full repayment/settlement of the loan account. In case of demise of the borrower and/or the coborrower and/or guarantor, the original properties shall be returned to their legal heirs or any other person upon submission of the following documents:

- An application for return of the documents/properties
- A letter of indemnity
- Legal Heirship Certificate from a competent authority

Delegation of Powers

As per **Annexure I**

Deviation Matrix

All deviations in Year 1 will be sent for CEO for approval, Post appointment of Approving Authority – for designations, please refer to Annexure #I ‘Delegation of Power’ Majority of policy mitigants to be met (50% or more) to be marked as “Accepted”
All Loans shall be processed post obtaining Credit Bureau Reports.

Parameter	Policy Norm	Deviation Allowed	Approving Authority		Mitigants
			Mitigant Met	Mitigant Not Met	
LTV	Total application LTV allowable as per grid defined in policy	Application LTV is greater than Max LTV. Maximum allowable deviation of +5%	CRO/COO	CEO	1. Meeting DSCR norms 2. All financial metric eligibility met 3. Other Income (Non-business income) > 10% of Net Business Income

					4. Satisfactory CREDIT BUREAU REPORTS as per Credit
					5. Technical valuation reflects satisfactory resale value of asset
Main Co-Applicant Work Experience	Work Experience of less than 3 years (<i>Profiles of Sole Proprietor / Majority Partner(s) / Director to be considered</i>)	Work experience between 1 and 3 years to be accepted in case of Sole Proprietors wherein the business is taken over by the next generation and business vintage is at least 5 years. In case of Partnership, majority shareholders to have more than 3 years work experience	CRO/COO	CEO	1. Cash flow positive in the previous year 2. Registered GST and clear financials provided 3. Positive net worth 4. Efficient conducting of business / inventory management as verified during FI
CREDIT BUREAU REPORTS Score (Personal)	Minimum acceptable CREDIT BUREAU REPORTS score of 650	700 above 675 – 699 – Credit Head 650 and below – CEO Minimum Personal CREDIT BUREAU REPORTS Score of 700 mandatory (in case of partnership the minimum acceptable average CREDIT BUREAU REPORTS should be 650)			Case to case basis - recommendation to be made by underwriter basis financial statements and Banking statement analysis
Delinquent Tagging	No prior defaults with RAR Fincare, with other banks and financial institutions (<i>as provided by Dedupe</i>)	Ever Delinquent is tagged as "Yes"	CRO/COO	CEO	1. Deviation allowed for secured loans only 2. LTV reduced by 10% 3. Any other requirements on a case to case basis subject to Banking statement analysis and financials

Collateral Ownership	100% third party collateral acceptable	Acceptance of third party collateral shall be allowed only in case: 1. Applicant / Co-Applicant cannot cover minimum LTV requirements 2. Majority (>51%) of security coverage to be put up by main applicant	CRO/COO	CEO	<ol style="list-style-type: none"> Relationship history of borrower and guarantor to be assessed Guarantor CREDIT BUREAU REPORTS to be clean Guarantor to be from the same town as the applicant
Residence Vintage	Minimum residence stability of three years	Residence Stay Period less than 3 years	CRO/COO	CEO	<ol style="list-style-type: none"> Applicant has moved into own house in the preceding three years Applicant has shifted in the same locality Shifted due to temporary reasons Shifted due to family partition Residence check and verification to be positive
Co-Applicant (Partnership)	Only such partners authorized to apply for financing as per the Partnership deed can sign on behalf of the partnership entity	Partnership deed is silent on which of the partners are authorized to avail financing for the partnership entity	CRO/COO	CEO	<ol style="list-style-type: none"> PoA to be obtained legally authorizing the main applicant to apply for a loan Majority shareholders (51% and higher) in the partnership need to be recorded as co-applicants/ guarantor The contactability/ reachability of all partners through the tenure of the loan should be established before sanction
Customer Segment - Partnership	Loan sanctions to partnership firms where one of the partners is an NRI shall be avoided where the Partnership deed does not specify which of the India resident partners are legally authorized to	Sanctioning of loans to partnership with one partner who is an NRI	CRO/COO	CEO	Final decision lies with the Credit Head who will verify if Power of Attorney is available or if minimum 51% shareholder guarantee is obtained

	avail external financing for the partnership.				
Co-Applicant	Business to be applicant and majority partners/shareholders to sign as Co-applicants	Co-Applicants are not available. Third party guarantor to be signed (<i>with the exception of proprietorship firms</i>)	CRO/COO	CEO	<ol style="list-style-type: none"> 1. Guarantor with RTR of at least 50% of applied loan amount 2. Guarantor to satisfy CREDIT BUREAU REPORTS criteria 3. Applicant has at least one immovable property ownership
Applicant	Funding shall not be made to applicants under the Negative Customer	Applicant is under negative customer list	CRO/COO	CEO	<ol style="list-style-type: none"> 1. Existing customer with excellent repayment track record and no known criminal background etc 2. LTV reduced by 10% 3. CREDIT BUREAU REPORTS Score > 700
Geography Limit	Applicant business and residence to be within branch geography limit defined as per policy	Applicant residence or business place outside geography limit	CRO/COO	CEO	<ol style="list-style-type: none"> 1. At least office or residence to within geography limit of any operating branches of RAR Fincare 3. Applicant residence and office verification mandatory
External Agency Verification	Positive output of external verification (Field, Office, Residence, Telephone, Business, Reference Check)	Marked as "Refer Cases"	CRO/COO	CEO	Case to case basis - recommendation to be made by Credit Department
RTR	At least 12 months of RTR should be made available unless the loan itself is of lower tenure. Minimum acceptable RTR for considering repayment behavior shall be 6 EMIs	No RTR or RTR availability less than 50% of proposed loan amount	CRO/COO	CEO	Decision to be taken by Credit basis Banking statement and Financial statement analysis
Mortgage / Hypothecation	Hypothecation/ Mortgage creation shall be completed before initiating disbursement	Hypothecation/ Mortgage cannot be created before disbursement	CRO/COO	CEO	Delay is purely due to operational and logistic reasons. No legal or technical challenges are attributed to the delay in charge creation. Final decision to be taken by Legal and Credit authorities

CREDIT BUREAU REPORTS	CREDIT BUREAU REPORTS mandatory for all (individuals) applicants, co-applicants, guarantors	CREDIT BUREAU REPORTS verification been skipped	CRO/COO	CEO	Customer CREDIT BUREAU REPORTS report not older than 1 month is already available
Profitability	Business is profitable in the last two years	Not profitable in one of the two preceding years	CRO/COO	CEO	<ol style="list-style-type: none"> 1. High capex purchase made (plant, machinery) towards business expansion 2. DSCR > 1.4 3. LTV reduced by 5% 4. Credit comfortable with expected business growth
Profitability	Business is profitable in the last two years	Business not profitable last 2 years	CRO/COO	CEO	<ol style="list-style-type: none"> 1. High capex purchase made (plant, machinery) towards business expansion 2. DSCR > 1.5 3. LTV reduced by upto 10% 4. Internal Risk Rating of CR2 or better 5. FOIR < 60% 6. At least operating profit must have been positive in one of the preceding two years
Property Ownership	Ownership of at least one immovable residential / commercial property - <i>not to be presented necessarily as collateral but for credit comfort</i>	No ownership of immovable property	CRO/COO	CEO	<ol style="list-style-type: none"> 1. Owns property but is registered in family's name 2. Property co-owned by Applicant and Spouse
Documentation – ITR	Minimum (latest) 3 year ITR to be provided	ITR not provided / not available	CRO/COO	CEO	<ol style="list-style-type: none"> 1. Meeting all business and financial eligibility norms as per policy 2. Applied loan amount less than INR 10 lakhs 3. Clean CREDIT BUREAU REPORTS report and satisfactory result of banking statement analysis 4. Positive FI

Banking Quality: Cheque Returns	Inward Cheque Returns: Maximum of 2 in last 6 months Outward Cheque Returns: Maximum of 5 in last 6 months	Cheque returns higher than policy norms (Cheques cleared during representation within the same day to be excluded)	CRO/COO	CEO	Case to case basis - recommendation to be made by Credit Head
GST	GST details and returns to be shared mandatorily	GST not registered	CRO/COO	CEO	Detailed case review and call to be taken by Credit
Adjusted DE Ratio	Maximum DE ratio of 3	Pre-funding Debt Equity Ratio exceeds 3	CRO/COO	CEO	Detailed case review and call to be taken by Credit
Current Ratio	Minimum acceptable Current Ratio of 1.2	Current ratio less than 1.2	CRO/COO	CEO	Detailed case review and call to be taken by Credit
Applicant Age	Minimum age is 25 years in case of main applicant	Main applicant age is between 18 and 25 wherein the applicant has taken over from the previous generation for proprietorship only	CRO/COO	CEO	1. Family Business is running in the second or third generation 2. Applicant is actively involved in daily operations of the business 3. Business vintage of more than 5 years
Applicant Age	At the time of loan maturity: a. In case of a proprietorship entity, the age of sole-proprietor: While applying for Loan, age is > 65 then credit deviation needed, during maturity if age is > 70 then deviation is needed b. In case of a partnership, majority shareholder partners' age shall be considered: Majority of Share Holders' age > 65 Years or Last	Deviation on age limit in case of proprietorship	CRO/COO	CEO	A deviation of maximum age limit for proprietorship shall be entertained only in the scenario that applicant is the head of family business who has been running operations for more than 20 years and the next generation heirs to business are signing as co-applicants.

	<p>date of repayment is falling above 70 years deviation</p> <p>c. While applying for Loan, property holder age is > 65 then credit deviation needed, during maturity if property holder age is > 70 then deviation is needed</p>				
CREDIT BUREAU REPORTS Result	CREDIT BUREAU REPORTS output to be positive (at the time of case submission and review by Credit officer)	CREDIT BUREAU REPORTS result is marked Negative	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Analyst Explanation to be provided by Branch Credit Manager
Business Vintage	Organization age less than 3 years	Business is a new venture	CRO/CO O	CEO	<p>Strong promoter experience with satisfactory CREDIT BUREAU REPORTS</p> <p>Credit comfort to be established</p> <p>Industry growth projections positive as per underwriter</p>
Application FOIR	Expected FOIR of <60%	Application FOIR is greater than Max FOIR (60%) - upto 70%	CRO/CO O	CEO	Detailed case review and call to be taken
Interest Coverage	Interest Coverage of ≥ 1.25	Interest Coverage less than 1.5	CRO/CO O	CEO	Detailed case review and call to be taken
Adjusted Leverage (TOL/TNW)	Adjusted Leverage = < 5	Adjusted leverage exceeds 5	CRO/CO O	CEO	Detailed case review and call to be taken
Credit Shield	Credit shield to be mandatorily taken by	Waiver request for Credit Shield	CRO/CO	CEO	Waiver approval to be provided on a cases to case basis

	the main borrower		O		
Interest Rate	As per product note		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Credit Risk Score	Score is CR3 or CR4		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Customer from negative area / caution profiles	As per credit policy		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Loans on second charge / pari passu with Banks	Should not be allowed		CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Credit Summation	Minimum 60% credit summation on annualized basis in the bank accounts of the customer to be ensured	<60% credit summation on annualized basis in the bank account	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Number of Credits	Minimum of three credits per month in the bank account excluding non-business transactions to be ensured	<3 credit per month in the bank account excluding non-business transactions	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
EMI	No EMI bounce in last 6 months and not more than 2 EMI bounces in last 12	>=1 EMI bounce in the last 6 months or >2 EMI bounces in the last 12 months	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head

	months.				
Over drawing of OD Limit	Temporary OD instances of >105% utilization should be <=5 in six months for each operating account.	Temporary OD instances of >105% utilization should be >5 in six months for each operating account.	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head
Average Bank Balance	Recommended that Average Bank balance should be 0.75 to 1.25 times of proposed EMI	Average Bank balance should be >1.25 times of proposed EMI	CRO/CO O	CEO	Case to case basis - recommendation to be made by Credit Head

Pre-disbursement Checklist



Predisbursement Document Checklist -

Schedule of Charges



Schedule of Charges.xlsx


Financial Metrics – Eligibility

Business Eligibility: Financial Metrics	
Ratio	Limit
Current Ratio	> = 1.10
Debt Equity Ratio	< = 3.00
Leverage (TOL/ TNW)	< = 5
Interest Coverage	> = 1.25
DSCR	>=1.5

FOIR	<table border="1"> <thead> <tr> <th>Monthly Income (INR)</th> <th>Max. Allowable FOIR</th> </tr> </thead> <tbody> <tr> <td>Up to 50,000</td> <td>50%</td> </tr> <tr> <td>50,000 up to 1,00,000</td> <td>60%</td> </tr> <tr> <td>Above 1,00,000</td> <td>70%</td> </tr> </tbody> </table>		Monthly Income (INR)	Max. Allowable FOIR	Up to 50,000	50%	50,000 up to 1,00,000	60%	Above 1,00,000	70%
	Monthly Income (INR)	Max. Allowable FOIR								
	Up to 50,000	50%								
	50,000 up to 1,00,000	60%								
	Above 1,00,000	70%								
<p>Besides the monthly income, an extension of 70% FOIR may be made based on various conditions like loan repayment track record, CREDIT BUREAU REPORTS, financial metrics etc.</p>										

Limit Assessment Methodology

Term Loan Limit Assessment	
FOIR Method	<p>Loan Eligibility = Eligible EMI * Tenure of loan (in months)</p> <ul style="list-style-type: none"> • <u>Eligible EMI</u> = (Monthly eligible profit * FOIR) – (Existing Obligations) • <u>Monthly Eligible Profit</u>: [Last Audited PAT + Interest + Depreciation + Amortization and Non-Cash Expenses + 75% of Partners Remuneration and Interest on capital + 75% of directors remuneration (+/- Adjustments)]/12 • <u>Adjustments</u>: In case of the customer having other income which are non-business related income like rental income, Interest on FDs etc. only 75% of those income should be considered. Hence, if the same is part of profit and loss account, 25% of such income should be reduced from PAT, and if they are not part of P/L account, 75% of such income backed by proper proof should be added. • <u>FOIR</u>: <ul style="list-style-type: none"> ➢ As per limit defined in the policy ➢ <u>Existing Obligation</u>: All exiting EMI + OD/CC Interest per month. Loan getting closed in next three months can be excluded. Interest of unsecured loan where only interest is paid and if the same is from a related party and subordinated, the same should also be reduced.
Cashflow Method	<ul style="list-style-type: none"> • The upper limit of the loan is to be estimated such that 50% of the projected cashflow should be able to cover the total debt service (principal + interest) over the repayment period <p>This method is suitable for companies with vintage less than 3 years</p>
DSCR Method	<p>The upper limit of the loan is to be estimated such that the projected DSCR should be minimum 1 after considering the debt service from the proposed</p>
TOL/TNW Method	<ul style="list-style-type: none"> • The upper limit of the loan is to be estimated such that the maximum value of the TOL/TNW ratio is 4
<p>Recommended that Average Bank balance should be 0.75 to 1.25 times of proposed EMI</p>	
Formulae Reference	
FOIR Calculation	$FOIR = \frac{\text{Fixed obligations}}{\text{Income}}$

	<p><i>Income considerations for co-applicants will be similar to primary borrower and can be included in FOIR calculation if the co-applicant is an immediate family member.</i></p> <p><i>Exceptional expenses which are one-time in nature can be added back to the net profit for the year for FOIR calculations.</i></p> <p>Fixed Obligations calculations:</p> <ul style="list-style-type: none"> ▪ All constant debits (towards loan repayment) seen in bank statements to be considered. If only 3 or less EMI's are pending towards a loan, the particular loan may be excluded towards calculation of FOIR ▪ Any other fixed repayment obligation: Any other fixed repayment obligation reflecting in the bank statement should be factored.
<p>FORMULAE TABULATION</p>	<p><i>The formulae configured in the scoring model are as per below file</i></p> <div style="text-align: center;">  Formula List.docx </div>
<p><u>FINAL LIMIT FOR SANCTION</u></p>	
<p>The underwriter shall adopt any of the above Limit Assessment Methodology & cap the loan eligibility at the value arrived through the appropriate limit assessment methodology.</p> <p>Any further adjustment to the eligible limit shall be done considering factors such as applicant CREDIT BUREAU REPORTS score, repayment track record and financials.</p>	
<p>A retail scoring model for auto loans has been developed in house to provide faster turnaround to borrowers is rolled out (Appendix I) subject to customers meeting the set criteria.</p>	

Collection Management Policy

Introduction

This policy highlights processes to be followed by RAR Fincare for the collection of its lending products – MSME Finance and Onward Lending. Collections constitutes an important vertical of RAR Fincare and collection policy will ensure that risk exposure on its portfolio are well managed.

RAR Fincare intends to adopt a collections strategy that appears to the defaulter to be regular, consistent and firm in demanding the repayment of overdue payment. At the same time, the organization should be considerate towards the situation of its customers.

Objective

Objective of RAR Fincare's collection unit is as follows: -

- Keep the unit abreast with the latest developments in market and on the legal side
- Ensure that the customer is valued, even as the unit strives to enforce terms of the contract
- Positively influence customers on the need to maintain prompt payment habits
- Minimize portfolio delinquencies

- Minimize credit losses
- Optimize expenses incurred on the collection exercise through smart use of strategies
- Provide feedback on the credit policy from the collection experiences, which can be used by the credit department in formulating future policies
- Assist in maintaining the optimum levels of provisions on the portfolio

Customer Profiles

The basic premise of lending remains that most customers intend to repay their debt. This intention is dependent on their ability to pay and on changes in their financial commitments.

From a collection perspective, customer profiles can be divided into the following:

- Customers who pay promptly
- Customers who are late – these customers do pay, but are late quite often
- Customers facing financial hardship (leveraged, family emergencies etc.)
- Customers who are intentional defaulters

For these different types of defaulting customers, Collections department needs to use different strategies as appropriate.

Delinquency Classification

A loan will be classified as ‘past-due’ if the repayment is not received on the due date.

Non-Performing Asset (NPA) is that loan where “the principal or interest payment has been overdue for a period of 90 days or above”.

Loan Restructuring

Guidelines

Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / the amount of instalments / rate of interest.

Eligibility

The borrower account is in default but is a ‘Standard Asset’ and continues to be classified as a ‘Standard Asset’ till the date of implementation of the restructuring

Identification

Before a loan account turns into Non-performing assets (NPA) as per RBI framework, RAR Fincare will identify incipient Stress in account by creating three sub categories under the categories given in the table below:

Classification	Basis of classification	Category
DPD 1-5	Principal or interest payment overdue between 01-05 days	SMA – 0
DPD 6-30	Principal or interest payment overdue between 06-30 days	SMA – 0
DPD 31-60	Principal or interest payment overdue between 31-60 days	SMA – 1
DPD 61-90	Principal or interest payment overdue between 61-90 days	SMA – 2

On the basis of the above early warning signals (EWS), the Company will consider the stressed account for purpose resolution of stress within 10 working days for a suitable Corrective Action Plan (CAP) for disposal by delegated authority. In the course of drawing resolution plan the restructuring of advance is to be suitably considered. The accounts identified should be examined for Corrective Action Plan (CAP). However, the cases, where it has been decided the option, of recovery under CAP instead of rectification or restructuring, should be referred, to the CEO for his / her concurrence.

Identification by the Borrower Enterprise - Any borrower may voluntarily initiate proceedings under this framework, if the enterprise reasonably apprehends failure of its business or its inability or likely inability to pay debts or there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year, by making an application to the Company. When such a request is received by the Company, the account should be examined by Credit Manager at the earliest but not later than, five working days from the receipt of the application, to examine the account for a suitable CAP.

Application for a Corrective Action Plan (CAP)

The Company, on identifying an account as due or suitable for consideration under the framework or on receipt of an application from the stressed enterprise, shall evaluate the proposal to decide suitable CAP. In event of restructuring, the proposal should be processed immediately and to be placed before Credit Manager for sanction. The operations Manager should carefully evaluate it (including a field visit) and form a decision on restructuring only after the approval is received from the CEO. The application form should be submitted by the borrowers along with the following:

- Latest accounts (audited or CA certified) of the Enterprise including its Net worth
- Details of all liabilities of the enterprise
- Nature of stress faced by the enterprise; and suggested remedial actions

Branch may examine the list of creditors for authenticity and determine the total liability of the Enterprise in order to arrive at a suitable CAP.

Upon finalization of the terms of the corrective action plan, the implementation of that plan shall be completed by the concerned within 30 days (if the CAP is Rectification) and within 90 days (If the CAP is restructuring). In case recovery is considered as CAP, the recovery measures should be initiated at the earliest.

Options Under CAP

Rectification: - Obtaining a commitment, specifying actions and timelines, from the borrower to regularize the account so that the account comes out of Overdue Account status or does not slip into the Non-Performing Asset category and the commitment should be supported with identifiable cash flows within the required time period and without involving any loss or sacrifice on the part of the existing lenders. The rectification process should primarily be borrower driven and no further funding will be allowed from RAR Fincare.

Restructuring: - Consider the possibility of restructuring the account, if it is prima facie viable and the borrower is not a wilful defaulter, i.e., there is no diversion of funds, fraud or malfeasance, etc. Commitment from promoters for extending their personal guarantee along with their net worth statement supported by copies of legal titles to assets may be obtained along with a declaration that they would not undertake any transaction that would alienate collateral security without the permission of the RAR

Fincare. Any deviation from the commitment by the borrowers affecting the security or recoverability of the loan may be treated as a valid factor for initiating recovery process.

Recovery: - Once the first two options above are seen as not feasible, due recovery process may be resorted to. The branch may decide the best recovery process to be followed, among the various legal and other recovery options available, with a view to optimizing the efforts and results. At this level, a senior executive from the HO will be involved in finalizing the recovery process.

Prudential Norms on Asset Classification and Provisioning

The accounts classified as 'standard assets' should be immediately re- classified as 'sub-standard assets' upon restructuring.

The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per asset classification norms with reference to the pre-restructuring repayment schedule.

Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the NBFC should be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during in the next one year, i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period.

In case, however, satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.

Loan Settlement

Guidelines for compromise settlements

Compromise settlement refers to a negotiated settlement where a borrower offers to pay and the NBFC agrees to accept in full and final settlement of its dues an amount less than the total amount due to the NBFC under the relative loan contract. This settlement invariably involves a certain sacrifice by the NBFC by way of write off and/or waiver of a portion of its dues on a one-time basis. The Policy recognizes that it is not possible to lay down precise guidelines which can be followed uniformly in case of all compromise offers as each offer is unique in the context of circumstances necessitating its consideration as a recovery option.

- That all possible expedient steps to recover the dues have been taken and there are no further prospects of recovering the debt and that the settlement proposal is in the larger interest of the company
- The company may enter a compromise settlement with willful defaulters/fraudulent borrowers without prejudice to the criminal case against the borrower and those cases of compromise settlement should be approved by the Credit Committee as per recommendation from the CEO/COO/CFO of the Company.
- While entering compromise settlements in NPA accounts, the NBFC shall ensure that the Net Present Value (NPV) of the settlement amount should generally not be less than the net present value of the realizable value of securities

Category of Assets for Compromise

As per the prudential norms, NPAs are classified into different asset categories viz., Substandard, Doubtful and Loss assets. Thus, this policy aims to frame guidelines to undertake compromises in all the three asset categories including accounts, which were technically written-off.

Sub-standard Assets

In justifiable cases, RAR Fincare can entertain/approve compromise proposals with a reasonable sacrifice, where security deterioration is likely to happen or borrowers have incurred genuine business losses. However, the account should have been classified as Sub-standard assets as at the end of the previous quarter. However, in cases where the provisions of SARFAESI Act cannot be invoked like in case of NPA accounts with outstanding balance of Rs.1.00 lac and below or where there is no enforceable security or security offered is agricultural lands etc., compromises can be entertained as per the guidelines immediately on classification of account as NPA. Moreover, where there is a loss of security charged to the NBFC on account of natural calamities such as floods, earthquakes, riots, civil commotion, strikes, fire accidents etc., acquisition of securities by the Government agencies and similar other circumstances, which are beyond the control of the borrower, Competent Authority can entertain/approve compromise proposals with a reasonable sacrifice. Consequent to the issue of notice under SARFAESI Act and taking possession of securities etc., if the borrower comes forward for a compromise settlement, in justifiable cases, compromise can be entertained.

Doubtful and Loss Assets

Both doubtful and loss assets are chronic NPAs by nature as the chances of recovery in these accounts are remote/bleak. Continuation of these assets necessitates provision of substantial amounts, which will have a direct bearing on the profitability of the NBFC. As a measure to recover the dues out of this category of assets, compromise settlements can be preferred. The decision on when to consider the compromise opportunity in order to maximize recovery will be taken by the Branch Manager with approval from Operations Manager.

Technical Written Off Accounts

The write off is only technical in nature and purely for internal accounting purpose only. The spirit behind the write off is transparency and reflecting the true picture of the health of the NBFC in an attempt to clean up the Balance sheet of the NBFC. The write off is without prejudice to our right to recover dues from the borrower. Some of these accounts are backed by sufficient tangible securities and NBFC has filed suit to recover the dues. As the settlement of cases through legal process is time consuming, branches may prefer negotiated settlements for early recovery of dues, under these guidelines The summary of compromise settlements and technical write-off shall be tabled to the Board on a periodic basis.

Realizable Value and Marketability of Securities Charged to the NBFC

Present value of the primary and collateral securities, held by the company for the advances, should be carefully assessed on a conservative basis. RAR Fincare should not purely be guided by the engineer's valuation taken at the time of allowing the advances.

It should ascertain the realizability of securities in letter and spirit, while arriving at the value thereof. This will have a bearing on the settlement amount. If, there is wide variation between the value taken at the time of loan sanction and the present realizable value, explanation should be provided and considered as to reasons therefor.

Properties of huge value, though equitably mortgaged to RAR Fincare, are at times difficult for enforcement even through the process of law, in view of several practical impediments. The company should look into this aspect and the reasons for the difficulty in enforceability of securities should be duly

explained while recommending/considering the proposal. Net Present Value of the realizable value of the securities should be used as a benchmark for negotiating the compromise settlement.

While dealing with the settlement proposals of loss asset, overriding consideration will be aggregate worth and perceivable means as per market enquiries of the borrower(s) and the guarantor(s). It should be kept in mind that any recovery under loss asset is a clean profit to the NBFC since, the entire outstanding is provided for.

Settlement Proposals from Guarantors

There are cases, where Guarantors in NPA accounts come forward with settlement proposal so that they can seek release of their guarantees/securities or discharge them from payment of NBFC dues. Such proposals from guarantors should be treated on par with proposals received from Borrowers.

Criminal Proceedings/CBI Cases

In accounts where criminal action is initiated or matter is under investigation by an investigating authority such as Central Bureau of Investigation etc., without prejudice to such proceeding/s action, RAR Fincare will be at liberty to enter a compromise/settlement in such accounts purely on commercial consideration, but only after making an intimation to the controlling authorities and the investigating agency. If RAR Fincare initiates the criminal proceedings, it will be open to the company to pursue or not to pursue the case depending upon the circumstances of each case. But, decision in that behalf shall be taken by the Chief Executive Officer of RAR Fincare.

Wherever the borrower has filed any case, or counter claim against RAR Fincare, and in such a case, a compromise/settlement is sought to be made, it should be made a condition of the settlement that the borrower would withdraw the suit/case, or counter claims as the case may be, and that in future also no claim will be raised against the company.

RAR Fincare may enter into compromise settlement with willful defaulters/fraudulent borrowers without prejudice to the criminal case against the borrower and that such cases of compromise settlement should be vetted by Board of Directors of the company.

RAR Fincare to adhere to the following while entering into compromise settlement with accounts involving fraud: -

- If there is any case where a person has obtained loan from the NBFC by making fraudulent representation or otherwise committing any fraud, as far as possible, efforts should be made to recover the entire amount of the loan. This is necessary to ensure that a person committing fraud is not allowed to benefit from commission of such fraudulent acts
- In spite of the above basic policy requirements, there will be cases where it is not possible to recover the full amount and the borrower is coming forward to offer settlement. While negotiating the offer, it must be made clear that recovery of the loan taken by the borrower and the criminal action for the fraud committed by him are two separate and distinct matters. It should be clarified at the outset that if the settlement proposal as given by the borrower is accepted, such settlement will relate only to the recovery proceedings and shall not automatically in any way affect the criminal action taken by RAR Fincare, which shall continue. However, in some cases decision to withdraw criminal case is decided by the company, if any, on settlement
- It is the practice of Financial Institutions to record the terms and conditions of the settlement in a consent order to be obtained from the Court or DRT. In such consent orders, a specific clause should be incorporated stating that the settlement agreed between the parties shall not in any way

affect or be construed as settlement of on-going criminal cases/proceedings pending in the Court against the borrowers

- The Officers/employees who are required to appear as witness in the criminal proceedings should be advised that although RAR Fincare has accepted the settlement proposal given by the borrower, there is no settlement regarding the criminal proceedings initiated against the borrower. Such officer or employee should be advised to make this position clear when he is examined as witness in the criminal proceedings

Approval for Loan Settlements

Type of waiver	Approval required from
Waiver of penal Charges	CEO/COO
Waiver in interest by 25% or more	Board of Directors
Waiver in interest by <= 25%	CEO/COO
Waiver in principal by 10% or more	Board of Directors
Waiver in principal by <= 10%	CEO/COO

Terms of compromise

While considering compromise settlement in NPA accounts and Technically written off accounts, the following concessions could be considered as possible sacrifice by the NBFC considering each and every individual case, outstanding period as NPA/suit, present financial position, availability/non-availability of tangible security, their value, enforceability and opportunity cost of funds (This list is only indicative. Terms of compromise shall be decided by appropriate authority on a case to case basis): -

- Waiver of extra/penal charges could be a simple solution and can be termed as good settlement from RAR Fincare's point of view
- Realizing the full outstanding as per the books of the branches plus reasonable interest with effect from the date of NPA or from the date of filing suit
- Waiver of interest being the difference between negotiated rate and the contracted/debited rate from the date of advance
- Waiver of interest charged after the date of becoming NPA or the date of suit filing
- Full waiver of the interest from the date of advance
- Only in exceptional cases, remission/write-off part of the principal dues

General and Operational Principles for compromise and settlements

- RAR Fincare may take up a compromise settlement / OTS proposal for consideration, irrespective of the present stage and status of the recovery proceedings
- Any compromise will be a negotiated settlement under which the company will endeavor to recover its dues to the maximum extent possible, with minimum sacrifice. However, it is recognized that amicable settlements are possible only in a win-win situation and sacrifice is a part of settlement
- The last status of the activity of the borrowing entity which seeks a compromise will be taken into reckoning at the very first stage of the negotiation
- An initial deposit of 10% - 20% of the amount should be taken from the borrower as evidence of his intention to pursue the compromise settlement with the NBFC. In case this is not possible, a waiver should be sought specifically in the approval note by way of deviation which should be approved by the CEO

- In case the borrower has other group companies, influence of these companies or the parent company may be used for a better settlement and/or for getting additional security, pending realization of the entire amount of compromise
- It will be the endeavor of RAR Fincare to get the entire compromise amount within three months from the date of settlement. Where the period of settlement exceeds 3 months and the amount is agreed to be recovered in instalments, as far as possible, a certain portion of the amount say 15% to 25% may be made payable upfront on a best-efforts basis, with balance in instalments spread over reasonable period considering source of repayment
- At the time of One Time Settlement negotiation when OTS amount is proposed to be paid in instalments seriousness and preparedness of the borrower to honor OTS commitments shall be considered
- In the case of suit filed account if need be and if practical, the terms and conditions of settlement should be finalized and consent decree from the court should be obtained
- In case of non-receipt of the committed compromise amount as per the terms of the settlement, the recovery proceedings already initiated before the settlement shall be continued
- The Authority who had approved the compromise settlement earlier may consider the modification in the terms of the settlement
- In compromise settlements/write off the amount of sacrifice will be determined regarding balance/dues as on the 'settlement date' which shall be indicated in the compromise settlement/write off proposals

Wherever OTS amount is funded by other NBFCs/Financial Institutions/NBFCs/SC/RC, RAR Fincare may assign the debt/ securities in their favor.

Staff Accountability

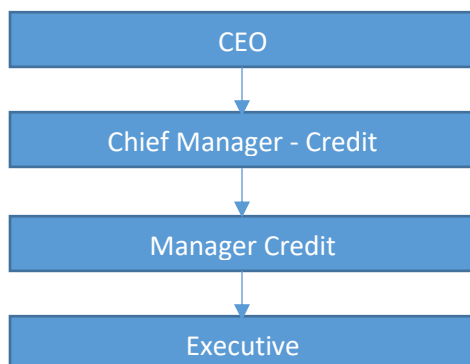
An external party would objectively audit all account that were settled / written-off without achieving NPA of all outstanding principal and interest and check reasons towards the same. If any particular staff(s) is found to have done malpractice or made lapse in conducting his / her responsibilities, then he / she would undergo any of the following actions depending on the gravity of his / her malpractice / lapses:

- Downgrading
- Becomes ineligible for promotion for a number of years as decided by the management
- Becomes ineligible for next year's increment
- Suspension / Termination of employment

The exact action would be recommended by the CEO to the BoD after consulting with the external auditor / concerned department heads.

Collections Process

Structure of Collections Vertical



Chief Manager Credit: Responsible for overall collections of the portfolio.

Manager Credit: Responsible for overseeing the collections and activities of collections executives of the concerned branch.

Executives: Executives will be responsible for meeting various customers and collecting overdue amounts from them. Collections executives will be responsible for collections of the respective branches assigned to them. Each executive will be expected to handle ~100 accounts

Modes of Collection

Collections can be driven either through in-house collections or use of external agencies. The collections team of RAR Fincare would drive the approach and will be supported by external agencies for certain cases (if needed).

Collection Methodologies

- Communication with customer through SMS/Email/WhatsApp
- Communication with customer through tele-calling
- Personal visits by collections executives, branch manager or any other persons authorized by RAR Fincare
- Intimation to the co-borrowers and guarantors at appropriate time/stage of the collections process
- Legal action against the borrower/co-borrower/guarantor following appropriate procedure
- Repossession and sale of assets financed by RAR Fincare or hypothecated/mortgaged/pledged to RAR Fincare

Collection Activities Based on DPD

A MIS list needs to be created at a suitable interval. The list considers the following inputs

1. Customers whose payments are not done on due date
2. Customers who has not responded to previous communication and have not provided a promised to pay date

Pre-DPD Activities

In order to ensure smooth processing of repayments, the key steps to be taken are listed below.

S. No	Collection Milestones	Activities	Responsibilities
1	7 days before due date	Email/ SMS alerts to customers reminding them of the obligations	Automated - System Generated
2	Repayment Due Date	Email/ SMS alert to customers reminding them of the repayment details	Automated - System Generated

DPD 1 – 5

S. No.	Collection Milestone	Activities	Responsibility
1	1-5 days past due date	<ul style="list-style-type: none"> • Oral communication to be sent to customers by Collection Executive and obtain a promise to pay date (PTP) • Also, ascertain the mode of payment – Cheque / deposit at branch / Fund transfer / NACH • Flag off cases where repayment is doubtful or customer has an extraordinary situation 	Collections Executive

DPD 6 – 30

Follow up call is made to the customers who still fall in 6-30 DPD bucket who have not made the payment post the next promised to pay date (if it falls before 30 DPD).

In parallel, the branch collections executive will aggressively follow-up with customer in person.

Sr. No.	Collection Milestone	Activities	Responsibility
1	5-29 days past due date	Personal visits by collections executive	Collections executive
2	30 days past due date	Reminder letter to be sent under Registered post to the borrower. Copy of letter to be marked to Guarantors.	Branch Manager
		Review of account to ascertain exact amount due from the borrower and confirmation of legal documentation (Day 30)	Branch Manager & Sales Executives

DPD 31-60

Communication is through direct customer visits by branch manager.

Sr. No.	Collection Milestone	Activities	Responsibility
1	31-60 days past due date	<ul style="list-style-type: none"> • Follow up with the client on phone/ site visit to the customer's office/ factory premises • A communication should be sent to the guarantor informing him of the default by the borrower of the loan and calling upon the guarantor to ask the borrower to make the payment. 	Branch Manager
		<ul style="list-style-type: none"> ▪ On 45 DPD, communication should be sent to the guarantor informing him of the continued delay by the borrower and 	

		<p>calling upon him to influence the borrower to make the payment (Manual Email)</p> <ul style="list-style-type: none"> Inform the guarantor that if the borrower does not pay the amount within 7 days, RAR Fincare would invoke the guarantee and call upon the guarantor to make the payment. 	
		Letter of intimation for default to be sent to other Bankers of the customer	

DPD 61-90

Collection efforts for cases falling in this DPD bucket should be directly monitored by the Operations Manager on a regular basis.

Sr. No.	Collection Milestone	Activities	Responsibility
1	61-90 days past due date	<p>Personal visits to the customer by Operations Manager and Branch Manager</p> <p>Review of collection efforts by Operations Manager. Step up efforts as required.</p> <ul style="list-style-type: none"> Explore restructuring options (only for customers with strong financials and general good conduct. There should be no history of cheque returns and no overdues in last 2 years) The option restructuring can be considered earlier if the Branch Manager or customer proposes the same 	Operations Manager in consultation with CEO and Legal Advisor

Beyond 90 DPD

Beyond 90 DPD, the loan account is marked NPA. Collection efforts for cases falling in this DPD bucket should be directly monitored by the CEO on a regular basis.

Sr. No.	Collection Milestone	Activities	Responsibility
1	>90 days past due date	<p>If review of collection efforts is unsatisfactory, send legal notice to customer and explore the possibility of recovery through legal methods (as per standard guidelines)</p>	Operations Manager along with Legal advisor
		Explore possibility of utilizing external collection agencies	Operations Manager
		Invoking Personal Guarantees obtained from	Operations Manager and

	Promoters/Stakeholders etc	Legal advisor
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Customer account details is to be reported to CREDIT BUREAU REPORTS and other credit bureaus on a monthly basis.

Guarantors

Where RAR Fincare has taken a guarantor to support the credit evaluation of a case, the approach with respect to the guarantors in case of a default of the loan should be as below:

- When the account crosses 30 DPD, a communication should be sent to the guarantor informing him of the default by the borrower of the loan and calling upon the guarantor to ask the borrower to make the payment.
- When the account crosses 45 DPD, another communication should be sent to the guarantor informing him of the continued delay by the borrower and again calling upon him to influence the borrower to make the payment. This communication should inform the guarantor that if the borrower does not pay the amount within 7 days, RAR Fincare would invoke the guarantee and call upon the guarantor to make the payment.

Customer declining to pay

If a customer is declining to make the payment, procedures as mentioned in the ‘Collection Activities Based on DPD’ section is to be followed.

Customer disputing the debt

A dispute occurs when customer declines the receipt of debt from the NBFC or he doesn’t accept any of the terms & conditions (such as ticket size, interest rate, repayment schedule or any other terms of the loan) upon which the loan has been sanctioned & disbursed.

Actions from the customer side

In such circumstances, customer may approach as per the Grievance Redressal Mechanism adopted by the Company. .

Actions from the NBFC side

When customer disputes a debt, the same should be intimated to Chief Manager Credit immediately. The operations manager should inspect the dispute internally in detail.

- i. If the dispute happened because of a lapse from RAR Fincare, then the same should be reported to the CEO/COO who would look into the case in detail. Depending upon the gravity of the misconduct disciplinary proceedings would be initiated against employees responsible. The decision and punishment, if any, shall be communicated in writing.

After a detailed enquiry, the CEO may:

- Dismiss an employee without notice on the grounds of misconduct
 - Suspend the employee
 - Down grade the employee
 - Impose any other lesser punishment as it deems just and fit
- ii. If the dispute raised by customers is found invalid, then all proofs related to the debt is to be shown to customer (including loan application form, loan sanction letter and loan agreement). If

customer still disputes the debt, then RAR Fincare should initiate legal proceedings against the customer

Code of conduct for collection representatives

Customer Visit Procedure

Collections Executive should call up the customer and fix a meeting time. First meeting should happen at least once between 6-30 DPD.

The following information should be conveyed:

1. Loan information
2. EMI due date
3. Implications because of EMI default
4. Procedure that RAR Fincare would initiate because of default
5. Penalty and charges information

Information to be collected from the customer include:

1. Reason for default
2. EMI amount along with penal charges if the customer is willing to pay at once (receipt to be provided to the customer at the same time)
3. Next promise to pay date

In all the above-mentioned interactions, if the collections team have been informed of customer's accident or illness or any other genuine reason for non –payment of EMI, the issue should be escalated to branch manager.

Second visit to the customer place should be post the promised to pay date if the customer has not paid the dues yet.

If the customer has defaulted in 2 promised to pay dates, it will be flagged and escalated to operations manager.

Dos and Don'ts

Key Factors	DO's	Don'ts
Appearance and Dress Code	<ul style="list-style-type: none"> • Well Groomed • Clean & Tidy • Formals 	No Chappals or Sandals
Speech	<ul style="list-style-type: none"> • Introduce yourself with identity card • Use formal address • Tone should be sincere and polite • Decency and decorum to be maintained. 	<ul style="list-style-type: none"> • Do not get tough or aggressive or abusive • Do not lose cool, get angry or irritated irrespective of reason. • Pitch should not be high.
Belongings	<ul style="list-style-type: none"> • Identity Card / Letter of Authority • Receipt Book 	
Ethics	<ul style="list-style-type: none"> • Fair and ethical in your dealings with customers. • Collections interaction should be based on courtesy, fair treatment and 	<ul style="list-style-type: none"> • Collector should not make any verbal or written promise to customer without Supervisor / NBFC on matters outside his preview

	persuasion	or on product features <ul style="list-style-type: none"> No personal dealings with customers
Information and Confidentiality	<ul style="list-style-type: none"> Present only the customer information required in an orderly fashion NBFC to keep records of interactions with the customer 	<ul style="list-style-type: none"> Unauthorized information written or verbal cannot be divulged to any customer / competitor / any other person. No information of one customer to be shared with other customers.
Process Product Discipline	Collectors will perform their role within the framework of the instructions issued to them in terms of process manuals and specifics of collection procedure based on the product	
Maximize Effectiveness	Collectors will strive to maximize the effectiveness of the visits by pre-visit preparation and result orientation in order to improve result.	
Timing	<ul style="list-style-type: none"> Earliest: 0700 hrs. Latest: 1900hrs. 	

Exception Handling

No response over phone / Phone out of order

- The Executives of RAR Fincare should try to reach the customer through alternate contact numbers (residence landline / office landline / alternate cell phone number)
- The Executive of RAR Fincare should try to make 4 calls to the customer in a day in all the numbers given, in an interval of 2 hours each. At each call, the executive should make a note of the same in the follow up sheet (listing the number called, date and time)
- The executive should repeat this task for two days. If the contact is still not established over phone, a field visit must be undertaken the very next day.

Customer out of station

- The customer must be reached through the cell phone and should be asked for the date when he would be back
- If he is going to be back within 3 – 7 days, an attempt should be made to take a promised to pay date within one day of return.
- The PTP date should be entered on a log
- If the customer is going to be away for a longer period, alternatives should be explored with the customer
 - The customer should be requested to make payment via online methods (NEFT)

- The customer should be requested to authorize any of his employees to make payment on his behalf
- If his family/co-borrower/guarantor is in town, the customer should be requested to make arrangements for the payment via them
- If the customer is in a location serviced by RAR Fincare, he should be told that a RAR Fincare representative in that location would visit him to collect the payment. The collections team should coordinate with the local branch to arrange for collection of payment.
- The customer must be requested to send across the cheque by registered post
- A PTP for payment through any of the options mentioned here should be taken
- If the customer insists that he can only make the payment on his return, the date of his return must be ascertained and recorded in the system
- The customer's residence and office must be visited and attempt made to reconfirm the date of customer's return
- If the absence gets prolonged, the case should be referred to a skip-tracing agency.

Death

Death of a customer is an unfortunate event and such occasion needs to be attended to with the sensitivity that it deserves.

- When the information of death is known, the customer file should be pulled out and studied again paying attention to following information
 - Other co-applicants in the case and their income sources
 - Whether all the Post-Disbursal Documents required in the case have been collected.
 - Life insurance if any that has been assigned in favour of RAR Fincare
- RAR Fincare representative (collection executive) should visit the co-applicant to the loan and express condolences on customer's death
- Where there is no co-applicant to the loan, the visit should nevertheless be made to meet another household member of the customer
- The ideal time of visit to the co-applicant is at least 20 days after the death of the customer.
- In the first visit post death, only the following should be done:
 - Express condolences of customer's death
 - Inform the person visited that a representative of RAR Fincare would after a few days come and give them the details of the loan availed by the customer from RAR Fincare
- In the next visit, which should be made by Branch Manager about 5 days after the first visit, the details of outstanding loan should be given. In that meeting, a future plan for payment of instalments must be discussed.

The options given hereunder should be explored patiently.

- If there is a co-applicant who earns, the possibility of collecting the money from his / her income should be explored.
- Documents for substitution of the entire liability with co-applicant(s) to be initiated.
- If the income of the co-applicant(s) is too little to service the EMI, the co-applicant should be asked if there are any other avenues available from which he / she can service the loan. An option of another household member, who may not be a co-applicant to the loan, but is willing to service the EMIs should be explored.

- If there is a life insurance policy assigned in favour of RAR Fincare, the assignment must be invoked and procedure initiated to recover money from that. This may either satisfy the outstanding loan in full or in part.
- If there is no other avenue available from which the loan can be serviced, RAR Fincare would have no option but to repossess the asset (in case of secured loan)

Fraud

If it comes to the knowledge of RAR Fincare that the account that is defaulting is a fraudulent one the following course of action must be adopted:

- The nature of fraud must be clearly established. The fraud could be of the following types:
 - **Customer identity fraud:** The applicant may have forged his identify and intentionally miscommunicated his identity.
 - **Document fraud:** Any of the documents based on which the decision to lend has been taken, is a fraudulent document. The document is found to be tampered with and facts in the document modified with the clear intent to take the loan.
- Once the nature of fraud is established, the same must be brought to the notice of all the people who have been connected with the application, which could include applicant, co-applicants, references and guarantors. Internally, it must be brought to the notice of the branch team and HO team that worked on sanctioning the loan. The legal advisor and collections team should also be notified of such instances.
- Collections team in collaboration with sales team must identify the reason for fraud and try to establish link with the customer who signed the application.
- Legal action should be taken against the applicant

Collections MIS

Management Information System to support collection effort represents the fundamental control in collection management. Branch Managers and Operations Manager need to know the size, growth and performance of their portfolios. In order to allocate adequate resources and develop accurate strategies, MIS needs to be developed and produced regularly. This section provides guidelines to enable collections to manage its portfolio more predictably.

Types of Collection MIS

The following types of collections MIS are necessary for effective collection follow-up, tracking and measuring collection efficiency:

- Daily, Weekly and Monthly Collections Report
- Report on resolution rates

Daily/Weekly/Monthly Collection Report

This report gives the account wise listing of delinquent cases with all the critical details of the account. This is the key report, updated automatically, that should be used by collections teams to do their daily follow up. The next day's actions required for collections should be driven by this report. The system should be configured to generate this report on a daily basis.

Resolution rates report

This analysis shows the movement of cases from one bucket in the previous month to various buckets in the current month.

- **Normalisation rate:** Percentage of cases where the money was fully recovered and as a result the account moved to the ‘current bucket’.
- **Stabilisation rate:** Percentage of cases where only one EMI was recovered and as a result, the account remained in the same bucket as in the subsequent month.
- **Roll back rate:** Percentage of cases where more than one EMI was recovered and as a result the account moved to one of the earlier buckets in the next month.
- **Roll forward rate:** Percentage of cases where no EMI was received and as a result the account flowed to the subsequent bucket.

These resolution rates would help in focusing collection efforts at the right bucket, thereby help improvement of portfolio delinquency and also in measuring collection efficiency.

Review of the policy: -

The Policy will be reviewed as per business and/or regulatory requirements and/or changes.

(SCORING MODEL FOR AUTO LOANS)

Commercial Vehicle & Passenger Vehicle				
Credit Score (CIBIL)	Score Range 0-10	Actual Score	Weightage	Weighed Score
-1	5.00		15.00%	0
550-650	6.00			
651- 700	8.00			
> 700	10.00			
Fleet owner			10.00%	0
> 5	10			
3 to 5	8.00			
1 to 2	6.00			
0	0.00			
FOIR (%)			15.00%	0
>60	0			
51-60	4.00			
35-50	8.00			
<= 35	10.00			
LTV			15.00%	0
<70%	10.00			
71-80%	8.00			
81-85%	6.00			
85-90%	4.00			
Household Income			15.00%	0
<=0.7x EMI	5.00			
0.71-1.5x EMI	7.00			
1.6x - 2x EMI	8.00			
> 2x of EMI	10.00			
Residence			10.00%	0
Own (borrower/ spouse)	10.00			
Rent	5.00			
Lease	8.00			
Immovable Property	10.00			
Guarantee			5.00%	0
Spouse/Children	10			
Relatives	8			
Third Party	5			
Aggregator/Non			5.00%	0



Aggregator				
Revenue earned from Aggregator <50%	4			
Rev. through Aggregator (50-75%)	6			
Revenue through Aggregator (more than 75%)	10			
Age				
18-25	6.00			
26-40	10.00			
40-50	8.00			
51-60	5.00			
			10.00%	0

Total	0.00
Comments:	

Go No Go Criteria	Score < 5	No Go
	Cibil < 550	No Go
	FOIR > 60%	No Go
	Age < 18	No Go
	Age > 60	No Go
	LTV > 90%	No Go

Calculation Methodology
Estimated Net Monthly Earnings = (Avg of six months bank credits* 70%) - Existing EMI Obligations
Average EOD Bank Balance = Min (Average Six Months EOD Balance, Average Three Months EOD Balance)
Estimated Monthly surplus = Min (A, B)
FOIR = Proposed EMI / (Estimated Monthly Surplus + Net income)
Net Income (to add back salary in case vehicle is being sold to a driver owner)
Estimated Net Monthly Earnings = (Avg of six months bank credits* 70%) - Existing EMI Obligations
Average EOD Bank Balance = Min (Average Six Months EOD Balance, Average Three Months EOD Balance)
Estimated Monthly surplus = Min (A, B)

Bank statements of all family members - House hold EMI (not including the proposed EMI)

Annexure I

Delegation of Powers

The delegation of powers establishes the maximum loan amount that can be sanctioned against a single loan application (Credit limit Sanction) by each designation without any deviation as per the below matrix:

All amounts mentioned in the table below are in **INR Lakhs**.

Product	Credit Committee	Promoter Director (Anyone)	CEO
Onward Lending – Secured	Above 1000	Up to 1000	Up to 200
Onward Lending – Unsecured	Above 500	Up to 500	Up to 100
Loan against Machinery	Above 500	Up to 500	Up to 100
Loan against Property	Above 1000	Up to 1000	Up to 200
Unsecured Business Loan	Above 500	Up to 500	Up to 100

APPRAISAL TAT - Any Credit Application request shall be turned around within 15 working days from the receipt of required information from the customer.

Reviewed by the Board of Directors in its meeting held on 20th February, 2025

Senior Management – Reviewer	Senior Management -Approver	Custodian
SD/- Chief Risk Officer	SD/- Chief Operations Officer	SD/- Company Secretary
SD/- Chief Financial Officer	SD/- Chief Executive Officer	