# SARASWATI COMMERCIAL (INDIA) LIMITED

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# LOANS, ADVANCES AND CREDIT POLICY

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| 1st Review | 27.05.2024 |
| 2nd Review | 12.02.2026 |

# LOANS, ADVANCES AND CREDIT POLICY

**PREAMBLE**:

The Reserve Bank of India ("RBI") under the Reserve Bank of India Act, 1934, regulates Non-Banking Financial Companies ("NBFCs") and issues directions, circulars and guidelines from time to time governing lending, investments, income recognition, asset classification, provisioning, governance, risk management and conduct of business. With liberalization in the financial system and deregulation of interest rates, NBFCs are now free to formulate loan products within the broad guidelines issued by RBI.

The Policy covers all categories of borrowers includes but not limited to;

- Individuals or
- Directors and their relatives or
- Body Corporates or
- Senior Management Officers and their relatives or
- Specified Employees and their relatives.

**COMPANY PROFILE AND ASSET FINANCING ACTIVITIES:**

The Company is an Investment and Credit Company (ICC). The Company's primary activity is investing in securities, mobilization of Capital and lending.

This Policy is governed as per the applicable RBI Directions including Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025, Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025, Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025, Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025 (Updated as on March 10, 2026), Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025 and any other Regulations or Directions and any amendments thereof as applicable to the Company and accordingly all NBFCs that are part of a common Group or are floated by a common set of promoters shall not be viewed on a standalone basis. The total assets of all the NBFCs in a Group shall be consolidated to determine the threshold for their classification in the Middle Layer. Thus the Company has been classified under Middle Layer as the total asset size of all the Companies in the Group exceeds Rs. 1,000 crore.

**DEFINITIONS:**

- **"Board"** means Board of Directors of Saraswati Commercial (India) Limited.

- **"Company"** means Saraswati Commercial (India) Limited.

- **"Policy"** means Loans, Advance & Credit Policy, as amended from time to time.

- **“RBI”** means Reserve Bank of India.

- **“Audit Committee”** means the Audit Committee of the Board constituted in accordance with the Companies Act, 2013 and applicable RBI Directions.

- **“Key Managerial Personnel” (KMP)** shall have the meaning assigned to it under Section 2(51) of Companies Act, 2013.

- **“Lending”** in the context of a ‘related party’ shall mean extending funded or/ and non-fund-based credit facilities to related parties. While investments in debt instruments of related parties shall be covered for this purpose, equity investments shall be excluded.

- **“Relative”** shall have the same meaning as assigned to it under Clause (77) of Section 2 of the Companies Act, 2013 and rules framed therein.

- **“Related Person”** shall have the meaning assigned to it under the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) – Amendment Directions, 2026, as amended from time to time.

- **“Related Party”** means related party as defined under the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) – Amendment Directions, 2026**.**

- **“Specified Employees”** means all employees of a NBFC who are positioned upto two levels below the Board.

Words and expressions used but not defined in this Policy shall have the meanings respectively assigned to them under the Companies Act, 2013 and rules made thereunder and the applicable Master Directions, circulars and guidelines issued from time to time by RBI.

**<u>KNOW YOUR CUSTOMER (‘KYC’) AND ANTI-MONEY LAUNDERING (‘AML’) GUIDELINES:</u>**

The Company has formulated KYC policy and accordingly the same is to following during the disbursements of the loans and advances. All documents like identity proof, address proof etc. are to be collected for borrowers and guarantors of loans and advances in accordance with the said policy.

**<u>RESTRICTIONS ON FUNDING:</u>**

- **Independent Credit Appraisal**
  The Company will carry out its own independent and objective credit appraisal in all cases of lending.

  Where external credit appraisal reports are obtained, the same shall be treated only as supplementary inputs and shall not substitute the Company’s internal appraisal and risk assessment.

- **Verification of Directors and Defaulter Lists**
  During credit appraisal, the Company will verify whether any director(s) of the borrowing

entity appear in the list of defaulters / wilful defaulters or caution lists by reference to DIN, PAN or other reliable identifiers.

In case of identical names or ambiguity, independent sources shall be used for confirmation of identity rather than relying solely on declarations from the borrowing entity.

- **End-Use of Funds and Monitoring**
  To ensure proper end-use of funds and to prevent diversion or siphoning:
  i. The Company may engage independent auditors or agencies of its choice for specific certification of end-use of funds.
  ii. The Company shall not rely solely on certifications issued by the borrower's auditors.
  iii. Such external certification shall not substitute the Company's own minimum due diligence and monitoring requirements.

  Appropriate covenants, monitoring mechanisms, and inspection rights shall be incorporated in loan documentation.

- **Funding Structure**
  While structuring loans and advances, the Company shall generally follow prudent exposure norms, including appropriate loan-to-value, repayment tenure, and risk-based pricing, commensurate with the borrower's risk profile. The Company may insist upon lower funding limits and shorter repayment tenures where warranted by risk assessment.

**LIMITS FOR PROVIDING LOAN:**

As per the Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025, the Company shall not have the exposure to lend and invest (loans/investments taken together) exceeding:

i. 25% of net owned fund (Tier I Capital) to a single party;
ii. 40% of net owned fund (Tier I Capital) to a single group of parties.

Provided that the company may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment.

Exposure norms shall not apply to

i. investments of company in shares of its subsidiaries; companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF and
ii. the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with subsidiaries of the company, companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF.

**LIMITS FOR SENSITIVE SECTOR EXPOSURE**

The company shall also set limits for their sensitive sector exposures in alignment with regulatory requirements and industry best practices

i. Commercial Real Estate Exposure: The Company shall ensure that its total exposure to commercial real estate (inclusive of both lending and investment activities) shall be maximum upto 50% of owned funds. This includes all forms of financing and investment in commercial real estate assets.
ii. Capital Market Exposure: There is no limit under the Company's total exposure to the capital market. This includes all forms of exposure, whether through equity investments, debt securities, or any other indirect investments in capital markets.

**INTEREST RATES:**

The interest rates on loans and advances sanctioned by the Company shall be determined in accordance with the Board-approved Interest Rate Policy, as amended from time to time.

**OTHER CHARGES AND REBATES:**

The other charges, as may be applicable to loans and advances shall be as specified in the Interest Rate Policy of the Company, as amended from time to time.

**CIBIL AND OTHER CREDIT INFORMATION COMPANIES (CICs):**

Pursuant to the requirements prescribed by the RBI, the Company has registered as a member with all four Credit Information Companies (CICs), namely TransUnion CIBIL, CRIF High Mark, Equifax, and Experian.

The Company submit credit information data to all the aforesaid CICs in the prescribed format and within the timelines specified by RBI and the respective CICs.

**LOANS TO RELATED PARTIES & SAFEGUARDS:**

The Board of Directors shall be responsible for ensuring that adequate policies, systems and controls are in place for lending to related parties.

Lending to related parties shall be subject to the following safeguards:

- All loans to related parties shall be at arm’s length and on terms no more favourable than those offered to non-related parties.
- Any quid-pro-quo arrangement, direct or indirect, including arrangements intended to circumvent these guidelines, is strictly prohibited.
- Directors, KMPs, senior management officers, specified employees and their relatives shall not influence the credit appraisal, sanction, modification, renewal or recovery process.
- The Company is required to disclose exposure to such related party in the Annual Financial Statement as per Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025 and relevant notification thereafter (w.e.f 01.4.2026)

**LOANS AND ADVANCES TO DIRECTORS & KMP:**

Loans and advances to Directors and Key Managerial Personnel (KMP) exceeding the materiality threshold specified below shall be subject to prior approval of the Board of Directors of the Company. The materiality threshold for such loans shall be above Rs. 5 Crore (Rupees Five Crore) in accordance with applicable regulatory requirements at any point in time.

## LENDING TO SENIOR MANAGEMENT OFFICERS, SPECIFIED EMPLOYEES & RELATIVES:

Lending to senior management officers, specified employees and their relatives shall be treated as lending to related persons and shall be governed by enhanced due diligence, monitoring and disclosure norms. Loans and advances to the senior management, specified employees & their relatives at any point in time shall be above Rs. 5 Crore (Rupees Five Crore). Such loans shall be reported to the Board on an Annual Basis.

Loans to employees shall be funded in accordance with their Terms of Employment.

Such persons shall recuse themselves from any discussion or decision-making process relating to their own loan proposals or those of their related parties.

## AGGREGATE LIMITS & SUB-LIMITS FOR RELATED PARTY LENDING:

The Company has prescribed following aggregate limits for total exposure to all related parties and sub-limits for individual related parties or groups of related parties:

- The aggregate exposure to all related parties taken together shall not exceed Rs. 2,000 Crore.
- The exposure to any single related party shall not exceed Rs. 250 Crore.

No loan to a related party shall be sanctioned if it results in a breach of the approved aggregate or sub-limits as approved by the Board of Directors of the Company.

All related party lending shall continue to comply with the materiality thresholds, arm's-length principles, and other safeguards prescribed under this Policy. Further, all such lending shall be within applicable prudential norms at any point of time, including at the time of disbursement.

## MATERIALITY THRESHOLD & APPROVAL MATRIX:

As a Middle Layer NBFC, the materiality threshold for the Company for lending to related parties shall be above Rs. 5 Crore (Rupees Five Crore).

Loans to related parties below the materiality threshold shall require prior approval of the Audit Committee and subsequent reporting to the Board.

Loans to related parties above the materiality threshold shall require prior approval of the Board of Directors.

## WHISTLE-BLOWING ARRANGEMENTS:

The Company shall maintain a whistle-blowing mechanism to enable employees and stakeholders to confidentially report concerns relating to irregular, unethical or questionable lending to related parties.

Such disclosures shall be protected against retaliation and shall be placed before the Audit

Committee.

**MONITORING, DISCLOSURE & AUDIT:**

The Company shall maintain a register of related persons and related parties along with details of credit facilities sanctioned.

Internal audit shall periodically review compliance with the related-party lending framework and report deviations, if any, to the Audit Committee and the Board.

**AUTHORITY:**

The Board of Directors (Board) of Company from time to time delegates the authority for granting loans above the materiality threshold to any committee except Audit Committee.

**REVIEW:**

This Loan and Advance Policy will be reviewed on annual basis with the Board approval.