

CREDIT POLICY
FOR
NEUZEN FINANCE PRIVATE LIMITED
(FORMERLY KNOWN AS UMANG TRADING PVT. LTD.)

CREDIT POLICY

INTRODUCTION

Neuzen Finance Private Limited (formerly known as Umang Trading Pvt. Ltd.) ("The Company") is a Systematically Important Non Deposit Accepting Non Banking Financial Company (NBFC-SI-ND) registered with RBI has been primarily engaged into Lending activities. The Policy guidelines governing the lending activity of the company are brought out in the following headings. The policy guidelines would be reviewed annually to describe the focus areas of the Company. The company gives loans against shares / liquid securities, promoter funding, short/medium/long term corporate loans to SME and large corporate with or without security. The Company's lending would be guided by the '**Fair Practice Code**' as approved by the Board of Directors

➤ **Approach to Lending:**

Subject to RBI guidelines applicable to NBFC-SI-ND, Loan Companies, the Board of Directors shall give directions relating to lending activity, policy, exposure limits to various segments of clients. The Company would follow segmented approach to provide both market and customer focus for ensuring better business development, loan book growth, better capability building and best client satisfaction. The main principles underlying the Lending Policy would be applicable to the exposures undertaken within the country or outside as the Board may decide from time to time. "**The company**" is open to financing all types of client entities provided they have the requisite authority and legal power to avail of financing. This includes Individuals, Hindu HUF, Trusts, Partnership firms etc. High risk entities like Trusts and Partnership firms should be subject to greater scrutiny while evaluating their financing proposal.

➤ **Product Description:**

"**The Company**" offers a number of financing products to its clients on demand basis. The list below may not be exhaustive as the nature of financing instruments and structures undergoes changes reflective of evolving markets. However, these should cover a majority of the financing products.

Final decision on the structure and product will lie with the Board of Directors of the Company.

a) Business Finance: The Company offered loan for business at very attractive interest rates. The loan amount could be used for various purposes like working capital, business expansion and purchase of assets

b) Promoter funding – Funding is offered to promoter/promoting entities for companies, against collaterals acceptable to "the company". These loans are usually availed for the purpose of undertaking changes in the capital structure of the operating company or enhancing the promoter shareholding.

c) Loan against Shares (LAS) – Funding is provided to clients (non-promoter) against a pledge of listed and unlisted equity shares.

d) Loan against Property (LAP) – Funding is provided to clients against a mortgage on immovable property(s).

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e) Construction Finance – Funding is provided to real estate developers for construction purposes against collateral such as property, hypothecation of cash flows, etc. as acceptable to the Company. The company will usually not provide initial stage construction finance. The preference will be to provide last mile financing or financing for later stages of projects.

f) Acquisition Finance – Funding provided to companies for acquiring other companies.

➤ **End Use of the Loan:-**

End-use can be for any of the following reasons:

1. Business Expansion
2. Asset acquisition & Investment for business purposes
3. Balance Transfer & Debt Consolidation, for specific purpose
4. Working Capital of the Business

Note: Loan cannot be used for any speculative activity or illegal activity purpose.

➤ **Rate & Charges:-**

The loan rates & charges will be advised to the customer by business team during the loan processing. Loans will be on adjustable interest rate basis. The rate may be different for different borrowers or for different programs as decided by the business team. All re-pricing decisions will be informed to the borrower. Rate of Interest will not be lower than RBI repo rate from the time of sanction.

➤ **Categories of Loan**

i. Unsecured Loan: An unsecured loan is a loan that doesn't require any type of collateral. Unsecured Loan will be granted in specific cases depending upon credential of borrower.

ii. Secured Loan: Secured Business loan refers to the business loan category where the borrower gives a guarantee by using his property/ assets/securities as a security.

➤ **Common Policy Parameter for Unsecured Loan:**

Parameters	Particulars
Type of Loan	Unsecured Loan
Product Variants	Business Loan
KYC Compliance	KYC documents
Banking behavior	6 Months Bank statement to be taken for all major business operating accounts
Tenure	The maximum tenure for providing loan will be 10 Years.
Roll-Over of Loan	The Board at its discretion can roll over the loan for the further period at the request of the Borrower and on mutual discussion.
<u>Verifications Checks</u>	
Personal Discussion	To be done by Credit Managers at applicant's Business premises.

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Individual& Comm. CIBIL	Individual CIBIL and Commercial CIBIL are to be generated for joining the loan.
Online PAN Check	To be done for all applicants/Co-applicants and Guarantors by Credit team on random basis
Watch out Investors Search	No Adverse remarks against any applicants/firm/company or its promoters / directors on website.
RBI Defaulter's List / SMA List / CIBIL Defaulter	Applicants/Guarantors should not be part of any defaulters list or should not have gone to BIFR (Board for Industrial and Financial Reconstruction) in latest past 5 years.
Segments	Self Employed Non-Professional (Individual & Entity), Corporate
Job Stability & Business Continuity proof	<ul style="list-style-type: none"> 2 years' business establishment in same line of business or Any other documents which validate 2 years vintage in same line of business. <p><u>Through Any of below</u></p> <ul style="list-style-type: none"> Partnership deed /MOA and AOA with certificate of incorporation Shop and establishment certificate (if any) GST registration certificate Audit report stating nature of business along with IT return Importer/Exporter code certificate (if Any)
Residence Stability &Contractibility norms	Stability of residence and business / office>1year EBILL /Utility Bill at residence or office are mandatory.
No. of Co-Applicant	Minimum -2 and Maximum 5. Income from 3 individual / entities can be considered for appraisal.
Age Norms	<ul style="list-style-type: none"> For applicant whose income is considered should be of minimum 25 years and Maximum 65 Years (58 Years for Salaried)
Minimum Income	<ul style="list-style-type: none"> Minimum Annual Income of Rs. 5 lacs are required

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Requirement	<ul style="list-style-type: none"> In case of newly incorporated companies /startups/Stress Assets Companies, Minimum Income requirement shall be as per the discretion of the Board.
Personal Discussion & Tele PD	Physical PD is mandatory for all Customers No separate PD format is to be filled manually.
Disbursement of Loan	Once an application passed the verification check stage, it will undergo final check to ensure there are no mistakes, after which the application will become a funding request. This stage will end with the loan's disbursement in full or tranches, provided that the maximum aggregate amount during the tenure shall not exceed Facility amount.

➤ Secured Loans

Secured Loan against property may be availed on following:

1. Residential properties

- SORP – Self Occupied Residential Property
- RRP – Rented Residential Property

2. Commercial Properties

- SOCP – Self Occupied Commercial Property
- RCP – Rented Commercial Property

The following factors shall be considered for evaluation of property:

- a) Type of Property
- b) Location of property
- c) Construction stage
- d) Trends of real estate price in the area
- e) Government approved rate

Secured Loan against Securities may be availed on following:

Securities which includes - shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities. The Company provides Loan against listed and unlisted shares or any securities.

The following factors shall also be considered for evaluation of Security:

1. In case of Listed Shares

- a) Corporate Governance of the listed company
- b) Liquidity of the collateral/security
- c) Market capitalization of the company
- d) Beta of the stock
- e) Leverage ratios
- f) Financials

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- g) Promoter holding and pledge
- h) Sector risk
- i) Price prevailing in the market, in case value of the securities gets down due to some reason, the borrower will either repay the amount or increase the collateral against the loan amount.

Note: The Company will not grant loan more than 98% of market value and security.

2. In case of unlisted Shares

- a) Fair Valuation
- b) Future Prospects

Evaluation of Real Estate

- a) Valuation of the Real Estate such as land, ready property etc. by the Independent Valuer appointed by the company.
- b) Fixed and/or current assets would be valued based on the net block in the balance sheet of the company, whose assets are being taken as security.

➤ **CREDIT APPROVAL PROCESS FLOW**

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

1. Eligibility check & Reputation/Anti-Money Laundering Checks
2. Credit Appraisal (CA) through Credit Bureaus
3. Completion of KYC
4. Execution of Security Documentation
5. Disbursal of financing

All financing and creation of security will be in line with “the company’s” license conditions and relevant laws and regulations

➤ **Pre-login Norms**

Each Applicant should meet pre-sanction documentation norms.

All Income documents, Identity proofs and bank statement need to be signed by the applicant / co-applicant before submission. The same should be counter verified by authorized person.

➤ **ONGOING MONITORING AND CLIENT ENGAGEMENT: ANNUAL REVIEW**

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

1) Ongoing Client Engagement:

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

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- i. Ensure we receive audited / unaudited financials from the company as mandated in our agreements. Analyze the said financials and related performance data and highlight major developments – positive and negative to the Board.
- ii. Monitor the position for any adverse reporting.
- iii. Loans will be added to the watch list in the case of any significant internal/external rating downgrade, significant payment delays or any other material news and an action such as increasing the collateral cover, accelerating the loan repayment, loan recall etc. may be taken.

2) Monitoring:

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

3) Annual Review:

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

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

➤ ENFORCEMENT OF SECURITY AND RECOVERY ACTIONS

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

- a) In all action being undertaken for recovery, the Company will strictly follow the law and will act as a responsible member of the community. While ensuring that our rights are protected and dues recovered, we will treat our counter-parties with respect and fairness.
- b) Enforcement of security including disposal of assets pledged to us needs to be specifically approved by the Board of Directors.
- c) Litigation for recovery of our dues has to be approved specifically by the the Board of Directors.
- d) There should be no delay in taking action to dispose off the marketable securities.
- e) For the purpose of disposal of real-estate assets, it is recommended that at least 2 intermediaries are used for the sale so that we can realize the best possible value on the security.

➤ Common Policy Parameter for Secured Loan:

Parameters	Particulars
Type of Loan	SBL – Secured Business Loan

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Product Variants		<ol style="list-style-type: none"> 1. SBL against Self Occupied Residential Property (SORP) 2. SBL against Rented Residential Property(SORP) 3. SBL against Self Occupied Commercial Property(SOCP) 4. SBL against Rented Commercial Property (RCP)
KYC Compliance		KYC Compliance to be followed
Banking behavior	Bank Statement	6 Months Bank statement to be taken of all major business operating accounts
	Over-Draft/Cash Credit Utilization	Maximum OD/CC utilization to be not more than 98 % of OD/CC limit. If it is beyond this proof of Total OD limit, other correspondence from the concerned bank for enhancing the limit or satisfactory conduct letter from the bank is to be provided
Tenure		The maximum tenure for loan will be 10 Years.
Roll-Over of Loan		The Board at its discretion can roll over the loan for the further period at the request of the Borrower and on mutual discussion.
<u>Verifications Checks</u>		
Personal Discussion		To be done by Credit Managers at applicant's Business premises.
Residence and Office Field Verification		To be done for all applicants/ Co-applicants and Guarantors by Agency or in-house team.
Residence and Office Tele Verification		To be done for all applicants / Co-applicants and Guarantors by Credit team.
Individual& Comm. CIBIL		Individual CIBIL and Commercial CIBIL are to be generated for all joining the loan.
Online PAN Check		To be done for all applicants/Co-applicants and Guarantors by Credit team.
Watch out Investors Search		No Adverse remarks against any applicants/firm/company or its promoters / directors on website.
RBI Defaulter's List / SMA List / CIBIL Defaulter		Applicants/Guarantors should not be part of any defaulters list or should not have gone to BIFR (Board for Industrial and Financial Reconstruction) in latest past 5 years.
Segments		Self Employed Non-Professional (Individual & Entity). Corporates

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Job Stability & Business Continuity proof	<ul style="list-style-type: none"> • 2 years' business establishment in same line of business or Any other documents which validate 2 years vintage in same line of business. <p><u>Through Any of below</u></p> <ul style="list-style-type: none"> • Partnership deed /MOA and AOA with certificate of incorporation • Shop and establishment certificate • GST registration certificate • Audit report stating nature of business along with IT return • Importer/Exporter code certificate
Residence Stability & Contractibility norms	Stability of both residence and business / office > 1 year EBILL /Utility Bill at residence or office are mandatory.
No. of Co-Applicant	Minimum -2 and Maximum 5. Income from 3 individual / entities can be considered for appraisal.
Co-applicant/Guarantors	<ul style="list-style-type: none"> • All owners of the property to be co-borrower. In case of company being the owner, majority shareholder to be on the loan and ROC charge is to be created in favour of Lender. In case of partnership firm being owner, it must be registered. • All Individual / Entities whose income is taken, must be taken as co-borrower on the loan structure • In case of partnership firm, all partners to be the Co-applicants to loan in addition to the partnership firm. • In case of company, the company should come in as co-applicant along with its promoters and directors such that combined shareholding of the applicant and co-applicant is not less than 51% of the total shareholding of the company. • Cases with sole applicant require Guarantor with minimum income documents with Credit Head approval. • Cases where there is no Co-applicant / Guarantor on

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		<p>the loan structure, Full time life insurance greater than and Equal to our loan amount to be taken. – No Deviation for insurance waiver can be considered.</p> <ul style="list-style-type: none"> Maximum number of Co-applicants can be 5.
Age Norms		<ul style="list-style-type: none"> For applicant whose income is considered should be of minimum 25 years and Maximum 65 Years (58 Years for Salaried)
Minimum Income Requirement		<ul style="list-style-type: none"> Minimum Annual Income of Rs. 5 lacs are required. In case of newly incorporated companies /startups/Stress Assets Companies, Minimum Income requirement will not be application. Lending of loan will be on the discretion of the Board of Directors of the Company.
	Property Visit	Property Visit to be done by Credit /Business prior to disbursement and Property
Ownership of the property		<ul style="list-style-type: none"> Individuals can be joint owner of property provided they are part of immediate family viz, son, spouse, father, mother, and brother
Negative Area		Applicant's Residence and Property should not be in Negative area as identified by Credit Dept for each location.
Personal Discussion &Tele PD		<p>Physical PD is mandatory for all Customers</p> <p>No separate PD format is to be filled manually.</p>
Disbursement of Loan		Once an application passed the verification check stage, it will undergo final check to ensure there are no mistakes, after which the application will become a funding request. This stage will end with the loan's disbursement in full or tranches, provided that the maximum aggregate amount during the tenure shall not exceed Facility amount.

➤ INCOME DOCUMENTS TO BE ASSESSED

- Audited/Unaudited financials for last 2 years.
- ITRs with computation of income for last 2 years.
- 2 years of business vintage proof
- Bank Statement for last 6 months for all major business operating accounts.

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➤ **KYC Documents required for Verification**

- **In case of Companies / entities**

- i. Certificate of Incorporation
- ii. PAN card
- iii. GST Registration Certificate
- iv. Legal Entity Identifier (LEI) Registration Certificate
- v. Registered Office Address proof i.e. Shop & Establishment Certificate
- vi. MOA & AOA
- vii. Last two years of Income Tax Return
- viii. Last two years of Annual Report
- ix. Directors / authorised signatory KYC
- x. Board resolution for loan u/s 179 (3) of Companies Act, 2013
- xi. Resolution for borrowing power u/s 180 (1) (c) of the Companies Act, 2013
- xii. Bank details with IFSC code
- xiii. Bank Statement for last 6 months
- xiv. Purpose of Loan

- **In case of Partnership Firms / LLP/ HUF**

- xv. PAN Card
- xvi. Address proof of Firm / LLP / HUF
- xvii. Partnership Deed / LLP Agreement
- xviii. Last two years of Income Tax Return
- xix. Last two years of Balance Sheet
- xx. KYC of all Partners / authorised signatory. In case of HUF, KYC of KARTA
- xxi. Bank details with IFSC
- xxii. Purpose of Loan

- **In case of Proprietorship / Individual**

- i. KYC document (PAN card and Aadhaar card)
- ii. Last two years of Income Tax Return
- iii. Last two years of Balance Sheet
- iv. Bank details with IFSC
- v. Purpose of Loan

AMENDMENTS

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board Meeting at which such amendments are approved.