



BULTI
LEASING & FINANCE LIMITED

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RISK MANAGEMENT POLICY

1. PREAMBLE

BULTI LEASING AND FINANCE LIMITED (“Company”) is a **Non-Public Deposit Taking NBFC – Base Layer** registered with the Reserve Bank of India.

The Company recognises that effective risk management is essential for:

- Protection of capital and Net Owned Funds (NOF);
- Ensuring asset quality and liquidity stability;
- Regulatory compliance;
- Long-term sustainability of operations;
- Protection of stakeholder value.

This Risk Management Policy (“Policy”) establishes a structured framework for identification, assessment, monitoring, reporting, and mitigation of risks relevant to the Company’s size, scale, and local operations.

Given the Company’s scale and structure, risk oversight shall be exercised directly by the **Board of Directors**, without constitution of a separate Risk Management Committee.

2. OBJECTIVE

The objective of this Policy is to:

- Identify material risks affecting the Company;
- Define mitigation and control mechanisms;
- Establish monitoring and reporting processes;
- Ensure compliance with RBI regulatory expectations applicable to NBFC – Base Layer entities;
- Promote a risk-aware culture across the organisation.

3. RISK GOVERNANCE FRAMEWORK

3.1 Board of Directors

The Board shall:

- Approve the Risk Management Policy;
- Review risk profile at least annually;
- Review asset quality, liquidity, capital adequacy and compliance status periodically;
- Ensure corrective actions are implemented.

3.2 Managing Director / Senior Management

Management shall:

- Implement this Policy;
 - Identify emerging risks;
 - Maintain risk registers;
 - Report material risks to the Board;
 - Ensure regulatory compliance.
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4. RISK IDENTIFICATION AND ASSESSMENT

Risks shall be assessed based on:

- Likelihood of occurrence
- Financial and operational impact
- Reputational impact
- Regulatory consequences

Risk assessment shall be reviewed at least annually or earlier if required.

5. KEY RISK CATEGORIES AND MITIGATION

Considering the Company's size and local operations, the following major risks are identified:

5.1 CREDIT RISK

Risk:

Risk of borrower default or delayed repayment affecting income and capital.

Mitigation Measures:

- Structured credit appraisal process
 - KYC and due diligence before loan sanction
 - Defined exposure limits per borrower
 - Periodic portfolio review
 - Monitoring of overdue accounts
 - Legal recovery framework
 - Avoidance of excessive concentration in one borrower/segment
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5.2 LIQUIDITY RISK**Risk:**

Inability to meet financial obligations as they fall due.

Mitigation Measures:

- Maintenance of adequate liquidity buffer
- Monitoring of inflows and outflows
- Avoidance of maturity mismatches
- Conservative leverage policy
- Periodic cash flow review

Given the Company's scale, liquidity monitoring shall be reviewed by Management and reported to the Board periodically.

5.3 INTEREST RATE RISK**Risk:**

Adverse impact on earnings due to changes in borrowing costs.

Mitigation Measures:

- Appropriate pricing of loan products
- Periodic review of lending rates

- Conservative borrowing strategy

As the Company operates locally and does not undertake complex treasury operations, advanced derivative hedging mechanisms are not applicable.

5.4 OPERATIONAL RISK

Risk:

Loss arising from internal process failures, human error, fraud, technology failure, or external events.

Mitigation Measures:

- Defined operational procedures
 - Segregation of duties (to the extent feasible)
 - Secure document storage (physical & digital)
 - Restricted system access controls
 - Periodic internal verification of records
 - Insurance coverage where appropriate
 - Staff training
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5.5 REGULATORY & COMPLIANCE RISK

Risk:

Non-compliance with RBI directions or statutory requirements leading to penalties or restrictions.

Mitigation Measures:

- Maintenance of updated regulatory compliance checklist
 - Periodic compliance review
 - Timely filing of statutory and RBI returns
 - Internal review before regulatory submissions
 - Immediate reporting of regulatory observations to Board
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5.6 REPUTATIONAL RISK

Risk:

Negative perception due to customer grievances, non-compliance, or unfair practices.

Mitigation Measures:

- Implementation of Fair Practices Code
 - Transparent loan documentation
 - Grievance Redressal Mechanism
 - Ethical recovery practices
 - Proper communication with borrowers
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5.7 HUMAN RESOURCE RISK**Risk:**

Dependency on limited personnel, misconduct, or lack of skill.

Mitigation Measures:

- Background verification of employees
 - Defined roles and responsibilities
 - Periodic performance review
 - Ethical conduct enforcement
 - Succession planning (basic level appropriate to scale)
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5.8 STRATEGIC RISK**Risk:**

Improper business decisions affecting sustainability.

Mitigation Measures:

- Board oversight on expansion plans
 - Conservative growth strategy
 - Periodic review of portfolio performance
 - Avoidance of rapid unplanned scaling
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6. RISK MONITORING AND REPORTING

- Management shall maintain a basic Risk Register.
 - Material deviations in asset quality, liquidity, or capital shall be reported to the Board immediately.
 - Risk profile shall be reviewed at least annually.
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7. INTERNAL CONTROLS

The Company shall maintain internal controls appropriate to its size, including:

- Accounting controls
 - Financial reconciliation
 - Periodic internal verification
 - Compliance tracking mechanism
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8. POLICY REVIEW

This Policy shall be:

- Reviewed annually by the Board; or
- Earlier, if required due to regulatory or business changes.