

Operational Manual

1) Introduction

Alwar General Finance Company Private Limited (AGF) is engaged in providing B2B Term Loans/Working Capital Loan/Short Term Flexi Loan and B2C loan. AGF General Credit Policy lays down the framework for credit management.

2) Validity and Authority

- The Credit Policy is the guiding documents for the credit operations of the organization.
- This policy will remain in force till the next revision.
- This policy will be read in conjunction with all other policies, circulars/master circulars/manual/process guidelines issued from time to time.

3) Credit Management Structure and Policy

3.1 General Principles

- Promotional Meeting, client identification and day to day management of the relationship with the client will rest with the credit officer.
- To ensure timely approval, the credit officer shall obtain complete information. Final decision of loan shall be communicated to the client within 3-5 days of date receiving all the documents.

3.2 Credit Authorities and Approval Limits

Board of Directors

The Board has overall responsibility for the credit policy of the organisation and subsequent revisions of the same. Other specific responsibilities include the following-

- Approving significant revisions to credit policy
- Establishing portfolio distribution guidelines in conformity with existing regulations.
- Approving organization credit management structure.
- Establishing credit approval authorities including the level of delegation.
- Approving write-offs.
- Approving changes in the legal lending limits and risk limits used in the bank.

The Managing Director /CEO

The CEO is responsible for reviewing and recommending all credit items which are to be submitted to the Board and-

- Establishing guidelines for pricing of credit facilities to be approved by the Board.
- Approving all credits, which are within his/her approval limit
- Reviewing the portfolio diversification in line with guidelines given by the Board.
- Reviewing credit related systems and their implementation.
- Reviewing and recommending write-offs based on the presentation and recommendation.
- Reviewing provisions for non-performing loans.
- Ensuring implementation of all credit policies and procedures by all staff

Alwar General Finance Company Private Limited

GST: 08AABCA4988P1ZX

Regd. Office: 148, Navjeevan Tower, 3rd Floor, Alkapuri, Alwar- 301001, Rajasthan

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Credit Committee

The Credit Committee is the highest advisory body to the CEO on credit and other issues. Other responsibilities of the Credit Committee include all credit and credit related issues as follows-

- Credit related systems and procedural issues.
- Check the eligibility criteria of the client.
- Analyse all the data and repayment capacity of the client.
- Monitoring portfolio risk and managing decisions to improve.

Suggestions to the Credit Policy as may be submitted by any staff.

Responsibilities of Operations Team

- Lead generation by sales & marketing officer by digital marketing (Website/Social Media)
- Officer visit to the business premise or house visit for verification purposes and to
- Fill loan application on website or offline on behalf of the applicant
- KYC document collection and verification by officer
 - PAN card
 - Aadhar card
- Check with CIBIL for credit score and credit report

CIBIL Score	Meaning
850 to 900	Excellent score. Perfect score for loan approval
750 to 850	80% chance of loan approval
700 to 750	May require more checks and approval from higher authority
600-700	Special approval will be needed

- Low credit score leads to rejection of the loan
- High credit score leads to eligibility check based on the following documents
 - Income proof
 - Balance sheet and P&L statement of last 3 years
 - Bank passbook statement- 12 months
 - ITR with computation- last 3 years
 - 2 references from buyer side and seller side and ledgers
 - Collateral (if applicable)
 - Ledgers- top 5 debtors and creditors
 - Mandate form
- Eligibility check
- Non-eligibility leads to rejection of the application
- On meeting the AGF's eligibility criteria, the loan will be approved by credit department
- After the loan approval the details will be shared with accounts team for the disbursement
- Collection through EMI payment or Bullet payment

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Eligibility check Parameters

Parameter	Instrument	Purpose
Character	Registration certificates, other KYC's verification and field visit	
	Registration certificates & other KYC's	To check business vintage, age, identity, address, work exp. & sale-purchase/disbursement-collection verification purpose
	Field Visit	Business visit for the verification purpose
	Credit Score Report analysis	
	Credit Score Report	Check repayment history, no of active loans, credit score, overdue accounts
	Reference check	
	Reference check	Verification about business vintage & it's authenticity
Capacity	Bank statement analysis & ITR verification	
	Bank statement & ITR	Verify the Income, Expenses, Fixed Liabilities, OPEX etc
Contribution, Control & Conditions	Financial statement analysis	
	Liquidity ratio	To check the ability of paying short term obligations
	Leverage ratio	To assesses the ability of a company to meet its financial obligations
	Asset Management ratio	To analyze how effectively and efficiently the business is managing its assets to produce sale
	Profitability ratio	To check how well a company utilizes its assets to produce profit and value to shareholders.
	Operating ratio	To check the efficiency of a company's management by comparing the total operating expense
Collateral	Security check	
	PDC's collection	Security in case of default
Commonsense	Personal discussion	
	Personal discussion	To clear the doubts generated in above stages and to know about client's future plans

4) Lending Exposure

In order to manage the credit and operational risk better and to ensure that the risks are effectively controlled and rightly managed, it has been decided to introduce ceiling/cap on the loan amount to be serviced/ disbursed.

Individual /Proprietorship/ Partnership/ NBFC/Private Ltd Exposure

In respect of Term Loan and Working Capital loan lending under B2B or B2C the entity exposure shall follow:

For NBFC Borrowers	Up to Rs.5,00,00,000 subject to Maximum 10% exposure of the AUM
For Proprietorships & Partnerships	Up to Rs. 3,00,00,000
For Individual Borrower	Up to Rs. 3,00,00,000

5) KYC Policy

In view of challenges of obtaining /capturing KYC documents on a highly standardized basis and as per recommendations of RBI, it has been decided to take a minimum two KYC documents from clients.

List of acceptable documents for B2B as per RBI Master Circular on KYC

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PROOF OF IDENTITY	PAN Card (most preferred)
	Passport
	Driving License
PROOF OF ADDRESS	Aadhar Card (most preferred)
	Voter's Identity Card
PROOF OF INCOME	Balance sheet and P&L statement of last 3 years
	Bank passbook statement- 12 months
	ITR with computation- last 3 years
OTHER DOCUMENTS	2 references from buyer side and seller side and ledgers
	Collateral submission form (if applicable)
	Ledgers- Top 5 debtors and creditors
	Mandate form

6) Pre settlement Policy

Pre-settlement is early repayment of a loan by a borrower. In case of clients' need, the clients can prepay/pre-settle a loan by paying the balance loan along with the interest due till that date. The pre- settlement process and guideline is reiterated and will be applicable till further notice.

7) Loan Loss Provisioning

Asset Classification Norms:

- Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.
- Nonperforming asset means an asset for which, interest/principal payment has remained overdue for a period of 90 days or more.

Provisioning Norms:

Category of Asset	Principal/ Interest ODDays	Derecognizing of interest income	Provision %
Standard Asset	No default	NA	1%
Substandard Asset	Remained overdue for 91- 150 days	100% of interest accrued on such Assets	50%
Doubtful Asset	Remained overdue for 151- 365 days	100% of interest accrued on such assets	100% provision after adjusting for the secured and realizable part of loan amount, if any.
Loss Asset	As perceived by the management	100% of interest accrued on such assets	100% provision after adjusting for the secured part of loan amount, if any.

8) Loan Write Off Policy

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When a delinquent loan reaches a certain age in arrears, it may be written off. An accounting policy that underreports write-offs inflates the real size of the asset base. Conversely, an accounting policy that quickly removes delinquent loans from the books can unnecessarily deplete the real value of the portfolio, while simultaneously overstating portfolio quality. When reviewing the quality of the portfolio, the analyst must look at the level of write-offs for bad debt as well as the level of delinquency

9) Loan Rescheduling or restructuring

Rather than loan write off, sometimes it may be decided to restructure loans. Often times, this decision comes when a client has experienced an unavoidable crisis, such as a major economic problem, natural disasters or any unexpected situations, which has prevented the normal repayment of the loan. In these cases, the client's will and ability to repay are almost certain to begin again after a recovery period. In these rare cases, a loan can be rescheduled.

Restructuring should be considered as exception, and not a norm, in dealing with delinquent loans. In such cases, the principal should be reported separately from the healthy portfolio. Provision for restructured loans should be 100% due to the increased risk for default in the restructured loan. At present rescheduling is done by shifting days that offsets all installments due by a number of days. No extra interest is charged during these offset days. Rescheduling can also be done by adding grace period before next installment. This grace period is defined in number of installments.

Debt Restructuring Guidelines

- Restructuring shall be taken up only if there is certainty of repayment from the client.
- Clients indulging in frauds and willful defaults shall not be eligible for restructuring. Where strong justifiable reasons exist for considering restructuring the accounts of a willful defaulter, it should be ensured that the client has taken satisfactory steps to rectify the willful default.
- The repayment period of restructured advance including the moratorium, if any, does not exceed 2 years.

10) Operations Management and Delivery Methodology:

Lending Methodology:

Alwar General Finance Company Private Limited (AGF) is engaged in providing B2B Term Loans/Working Capital Loan/Short Term Flexi Loan and B2C loan.

Loan Eligibility Criteria:

- **Resident Status:** The applicant should be Indian resident. No person staying on rental accommodation will be given loan.
- **Age:** 22-65 years.
- **KYC:** KYC documents (refer KYC) Submission of UID or PAN is mandatory
- **Business Vintage:** Profitable for 3 consequent years
- **Turnover:** Should show upward trend Y-O-Y basis
- **Financial Statements:** Balance sheet should be audited by a registered CA

Loan Products:

Loan Amount	Upto 5 cr
Purpose	Term Loan/ Working Capital/ Short Term Flexi Loan/ Business Loan/ Personal Loan

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ROI	15-18%		
Tenure	Upto 24 months		
Loan Processing Fee	Upto 1%		
Repayment frequency	Monthly EMI/ Bullet payment as mutually agreed with borrower		
Parameters			
	NBFC Loan	Corporate Loan	Individual Loan
Age	NA	NA	Min 21 yrs / Max 58 yrs
Quantum of Loan	Upto 5 cr	Upto 3 cr	Upto 3 cr
Repayment Tenure	Upto 24 months	Upto 36 months	Upto 36 months
Rate of Interest	14%- 17% Annually	15% to 20% Annually	15%-24% Annually
Cibil Score	<ul style="list-style-type: none">○ Mandatory for all Directors, Guarantors and NBFC○ CIBIL score>=700 for bureau-based history○ No overdues, written off or settled cases allowed	<ul style="list-style-type: none">○ Mandatory for all Directors, Guarantors and NBFC○ CIBIL score>=700 for bureau-based history○ No overdues, written off or settled cases allowed	<ul style="list-style-type: none">○ Min 675○ No overdues, written off or settled cases allowed
Business Vintage	3 Years	3 Years	NA
Processing fees	Upto 1%	Upto 1%	Upto 2%
Type of ROI	Reducing	Reducing	Fixed
Security	3 PDC	3 PDC	3 PDC
Guarantee	Directors/ Shareholders as per major shareholding [Min 51% shareholders required]	Major Shareholders/ Partners/ Directors	One other as co-applicant

* All deviations from the terms are subject to management and Credit Committee decisions.

Loan Approval/GRT Credit decision:

All loan approvals and credit decisions are taken by Credit Committee.

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