CREDIT CONCENTRATION LIMIT POLICY

FOR

NEUZEN FINANCE PRIVATE LIMITED

CONTENTS

Date	Version	Approved by
12th May, 2025	1.1	Board of Directors

CREDIT CONCENTRATION LIMIT

1. INTRODUCTION

The Credit Concentration Limit Policy is designed to ensure that the NBFC manages its credit exposure prudently, adheres to the regulatory requirements set by the Reserve Bank of India (RBI), and mitigates risks associated with credit concentration.

2. OBJECTIVE

The primary objectives of this policy are to:

i. Limit the exposure to single borrowers and groups of related borrowers.
ii. Diversify the credit portfolio to minimize risks.
iii. Ensure compliance with RBI guidelines on credit exposure limits.

3. SCOPE

This policy applies to all credit exposures, including funded and non-funded facilities, investments, and off-balance sheet exposures.

4. REGULATORY FRAMEWORK

The policy is framed in accordance with the following RBI guidelines:

i. Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

ii. Other relevant circulars and notifications issued by RBI from time to time

5. CREDIT EXPOSURE LIMITS

i. Single Borrower Limit (SBL)

The exposure to a single borrower shall not exceed 25% of its Tier 1 capital to a single party as defined by RBI.

ii. Group Borrower Limit (GBL)

The exposure to a group of related borrowers shall not exceed 40 % of its Tier 1 capital to a single party as defined by the RBI.

6. EXCEPTIONS AND RELAXATIONS

a. Exposure limits can be enhanced 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.
b. If any specific transaction undertaken for a particular purpose requires additional funds, the Company may, on an exceptional basis, grant a loan to meet such requirement.

7. CREDIT APPRAISAL AND APPROVAL PROCESS

i. Credit Appraisal

a) A comprehensive credit appraisal must be conducted before sanctioning any credit facility to ensure compliance with exposure limits.

b) Risk assessment and mitigation strategies must be documented.

ii. Approval Process

a) Credit proposals exceeding certain thresholds must be reviewed and approved by the ALCO Committee or the Board of Directors.

b) Proposals within lower thresholds can be approved by designated senior management officials as per the delegation of powers or the Board of Directors.

8. MONITORING AND REPORTING

i. Monitoring

a) The Company's Risk Management committee will continuously monitor the credit exposure limits.

b) Regular stress testing and scenario analysis will be conducted to assess the impact of adverse conditions on the credit portfolio.

ii. Reporting

Any breach of exposure limits must be promptly reported to RBI with an action plan for rectification.

9. REVIEW AND AMENDMENTS

a) This policy will be reviewed whenever the Company deems it necessary or when there are changes in the RBI guidelines.

b) Amendments to the policy will be approved by the Board of Directors.

10. COMPLIANCE AND ACCOUNTABILITY

a) All staff of the Company must comply with this policy. Non-compliance may result in disciplinary action.

b) The Compliance Department will ensure adherence to this policy and report any deviations.

11. CONCLUSION

This Credit Concentration Limit Policy is vital for maintaining the financial stability and risk management of the NBFC. Adherence to the RBI guidelines is mandatory to safeguard the NBFC interests and ensure a diversified and balanced credit portfolio.