CORPORATE GOVERNANCE POLICY

OF

ESS KAY FINCORP LIMITED

SUMMARY OF POLICY

Policy Name	**Corporate Governance Policy**
Related Policies and Regulations	Non-Banking Finance Companies – Corporate Governance (Reserve Bank) Directions, 2015. Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016
Review Cycle	Annually and upon regulatory change.
Approver	Board of Directors of Ess Kay Fincorp Limited
Annexures	Annexure-1, Annexure-2, and Annexure-3

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

1.1 Ess Kay Fincorp Limited ('the Company' / Ess Kay) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

In pursuing its Mission "to reach out to every nook and corner all semi-urban and rural areas and offer an extensive range of beneficial services for nurturing the lives of people", Ess Kay has been balancing its dual objectives of "social" and "financial goals since its inception. Transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and investors.

1.2. RBI GUIDELINES ON CORPORATE GOVERNANCE

The Reserve Bank of India ("**RBI**") has issued the Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" dated July 1, 2015 and bearing reference number DNBR (PD) CC.No.053/03.10.119/2015-16 ("**Master Circular**") which applies *inter alia* to every non-deposit accepting Non-Banking Financial Company with an asset size of INR 500 Crore and above (NBFC-ND-SI), as per its last audited balance sheet and the Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 ("**Master Direction**"). Ess Kay Fincorp Limited is registered with the RBI as a non-deposit accepting Non-Banking Financial Company ("**NBFC**"). The Company has become a systemically important NBFC and accordingly the Master Circular is applicable to the Company. Further, in terms of the Master Circular and the Master Direction, the Company is required to frame internal guidelines on corporate governance with the approval of the board of directors of the Company and accordingly the Company has put in place this policy on Corporate Governance ("**Corporate Governance Policy**").

1.3. The Company has framed this Corporate Governance Policy with the intent of following corporate governance in spirit and also in the letter of law. The objective of this Corporate Governance Policy is to ensure compliance with legal requirements and set standards for corporate governance in relation to the Company so that concerned employees and executives of the Company act in accordance with the highest standards of corporate governance while working for and on behalf of the Company and further so that the affairs of the Company can be conducted with integrity, fairness, accountability and transparency. All the concerned employees and executives of the Company are expected to read and understand this Corporate Governance Policy in order to uphold the standards and to comply with all applicable policies and procedures stipulated herein in day to day operations and activities of the Company.

2. Applicable Governance

The Company shall require prior written permission of the Bank for the following:

a) any takeover or acquisition of control of the Company, which may or may not result in change of management;
b) any change in the shareholding of the Company, including progressive increases over time, which results in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the Company.
   Provided that prior approval from the RBI shall not be required in case of change in shareholding going beyond 26% due to buyback of shares / reduction in capital where it has an approval of a competent Court. The same is to be reported to the RBI not later than one month from its occurrence;

c) any change in the management of the Company which results in change in more than 30 per cent of the directors, excluding independent directors.
   Provided that prior approval shall not be required in case of directors who get re-elected on retirement by rotation.

d) The Company shall continue to inform the Bank regarding any change in their directors / management not later than one month from the occurrence of any change.

e) The Company can also issue financial products like Commercial Paper, Debentures etc. to which rating is assigned by rating agencies. The ratings assigned to such products may undergo changes for various reasons ascribed to by the rating agencies. The Company shall furnish the information about downgrading / upgrading of its rating of any financial product, within fifteen days of such a change in rating, to the Regional Office of RBI in whose jurisdiction the Registered Office of the Company is located.

3. BOARD OF DIRECTORS AND LIMIT ON DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS

3.1 The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company. The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

3.2 In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

3.3 The Board of Directors of the company shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the Board of Directors should comprise of non-executive directors.

3.4 The current Board of Ess Kay comprises of 6 (Six) directors, including 2 (Two) independent directors, 1 (one) Executive Managing Director, 1 (one) Executive Wholetime Woman Director and 2 (Two) Non-Executive Nominee directors.

3.5 The following information in general is put up to the Board at Board meetings:-

i. Annual operating plans and budgets and any updates therein.
ii. Quarterly, half yearly and annual financial performance and results of the company and its operating divisions or business segments.
iii. Minutes of meetings of audit committee and other committees of the board of directors.
iv. The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
v. Show cause, demand, prosecution notices and penalty notices, which are materially important.
vi. Any material default in financial obligations to and by the company, or substantial non-payment by the company.
vii. Details of any joint venture or collaboration agreement.
viii. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
ix. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
x. Sale of investments, assets which are material in nature and not in ordinary course of business.
xi. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as delay in share transfer etc.
xii. Related Party Transactions
xiii. Write-off of Bad debts
xiv. Appointment of Auditors including internal auditors /Remuneration of statutory Auditors
xv. Approval of Directors Report, Corporate governance report and Annual Report.
xvi. Diversification of Business
xvii. Employee Stock Option Plan
xviii. Constitution and Reconstitution of Committees/ terms of reference/Policies and its periodical review
xix. Investing the funds of the company; and grant loans or give guarantee or provide security in respect of loans;
xx. Making political contributions
xxi. And other matters as required from time to time.

4. FIT AND PROPER CRITERIA FOR APPOINTMENT OF DIRECTORS

4.1 The Company shall ensure, at the time of appointment of any director on the board of directors of the Company (and thereafter on a continuous basis), that the person satisfies the ‘fit and proper’ criteria and that he is suitable for the post and for this purpose the Company shall ensure that the procedure mentioned below is followed:

4.1.1 The Company will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the board of directors of the Company, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

4.1.2 The Company will obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format set out in **Annexure-1** hereto.

4.1.3. The Company will undertake the process of due diligence at the time of appointment of the director and at the time of renewal of appointment of any director.

4.1.4 The Nomination Committee of the board of directors of the Company will decide on the acceptance or otherwise of the director, based on the information provided in the signed declaration (as stipulated in Paragraph 4.1.2 above), where considered necessary.

4.1.5 The Company will obtain annually (as on 31st March) a simple declaration from each director that the information already provided by the director (as stipulated in Paragraph 4.1.2(b)(iii) below) has not undergone change and where there is any change, the Company shall require such director to furnish the requisite details forthwith.

4.1.6 The board of directors of the Company will ensure in public interest that each of the nominated / elected directors executes a deed of covenants in the format set out in **Annexure-2** hereto.

5. DUTIES AND RESPONSIBILITES OF THE BOARD OF DIRECTORS

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

5.1. A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

5.2 A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

5.3 A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

5.4 A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

5.5 A director of a company shall not assign his office and any assignment so made shall be void.

6. DISCLOSURE AND TRANSPARENCY

6.1. The Company shall also disclose the following in their Annual Financial Statements:

6.1.1 Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;

6.1.2 Ratings assigned by credit rating agencies and migration of ratings during the year;

6.1.3 Penalties, if any, levied by any regulator;

6.1.4 Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries, if any; and

6.1.5 Asset-liability profile, extent of financing of, non-performing assets ("NPAs") and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/assignment transactions and other disclosures, as stipulated in **Annexure-3** hereto.

6.2 The Company shall put up to the board of directors of the Company, at half-yearly intervals, the following:

6.2.1 Review of risk management system and risk management policy and strategy followed by the Company; and

6.2.2 Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

7. INTERNAL CONTROL SYSTEM

The adequacy of internal control systems shall be reviewed by the Management. The Board has laid emphasis on adequate transparency and disclosure measures. Adequate risk management policies and measures are to be strictly adhered to.

8. PARTICIPATIVE MANAGEMENT

The Company on its own has constituted various committees at operational levels to invite greater participation of Executives and Staff, to harvest their collective knowledge, skills and expertise and to hone the process towards qualitatively better performance, with 'Excellence' as the goal. This process will reinforce the steps towards 'transparency'.

9. CODE OF CONDUCT

The Company has a code of conduct for all Board members and senior management of the company. The code of conduct has already been posted on the website of the company. All Board members and senior management personnel shall affirm compliance with the code on an annual basis.

10. ROTATION OF PARTNERS OF STATUTORY AUDITORS AUDIT FIRM

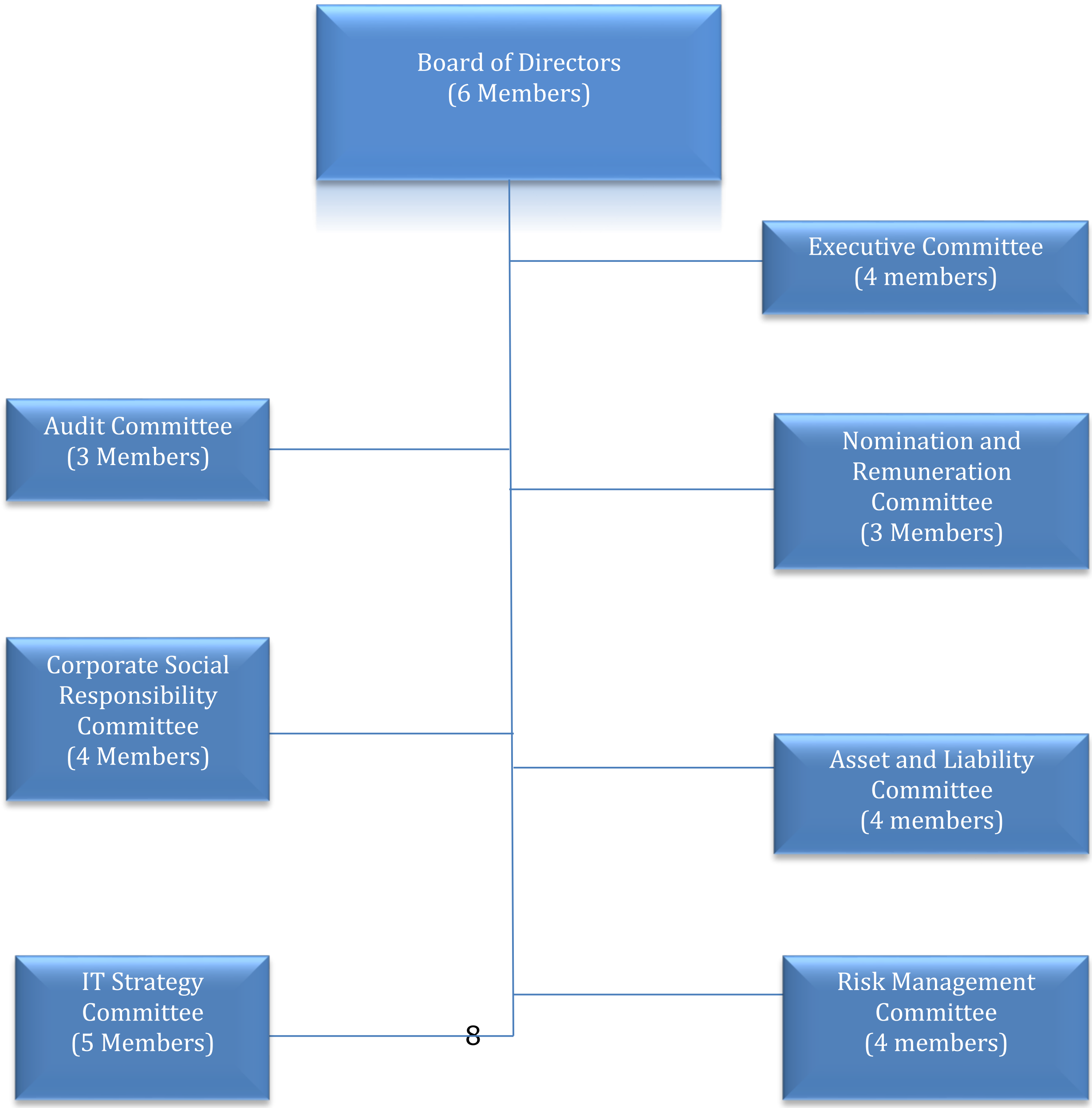
The Company shall ensure that it rotates the partner(s) of the Chartered Accountant firm conducting the statutory audit in relation to the Company, every 3 (three) years so that same partner does not conduct audit of the Company continuously for more than a period of 3 (three) years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of 3 (three) years, if the Company, so decides. The Company will incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

11. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

In compliance with the applicable provisions of the Companies Act, SEBI regulations and RBI Master Directions, the Company has constituted the Board level Committees viz Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee, Assets and Liability Committee and IT Strategy Committee.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. A pictorial representation of Board Committees of Ess Kay is given below:



12. CONSTITUTION OF COMMITTEES

12.1 Audit Committee:

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and RBI guidelines on Corporate Governance.

Chairman	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
Composition	The Audit Committee shall consist of a minimum of three directors with not less than 2/3rd members being independent directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two Independent members present.
Terms of reference	The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include: 1. To seek information from and have direct access to any employee, key managerial personnel or director of the Company, to perform its duties effectively. 2. To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary. 3. To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities. 4. To engage a registered valuer taking into consideration such qualification and experience as may be considered appropriate in case of valuations required in respect of any property, stocks, shares, debentures, securities, goodwill, assets, liabilities or net worth of a company. 5. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. 6. Discuss and review, with the management and auditors, the annual/half yearly/quarterly financial statements before submission to the Board, with particular reference to: a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's

	report in terms of section 134 (5) of the Act. b) Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'. c) Any changes in accounting policies and practices and reasons for the same. d) Major accounting entries involving estimates based on exercise of judgment by management. e) Analysis of the effects of alternative GAAP methods on the financial statements. f) Draft audit report and qualifications, if any, therein. g) Significant adjustments made in the financial statements arising out of audit findings. h) Compliance with listing and other legal requirements relating to financial statements. i) Disclosure of any related party transaction. j) Disclosure of contingent liabilities. k) The effect of regulatory and accounting initiatives as well as off-balance-sheet structures, on the financial statements. l) Company's earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies. m) Review the statement for uses/applications of funds by major category on a quarterly basis, with the financial results and annually the statement of funds utilized for purposes other than as mentioned in the offer document / prospectus/ notice. Such review shall be conducted till the full money raised through the issue has been fully spent. n) Scrutinize inter corporate loans and investments. o) Other relevant reports on financial information submitted by the Company to any governmental body or the public. 7. Hold timely discussions with Statutory Auditors regarding:- a) All critical accounting policies and practices. b) All alternative treatments of financial information within GAAP that have been discussed with Management, ramifications of the use of such alternative disclosure and treatments and the treatment preferred by the statutory auditor. c) Other material written communications between the Statutory Auditor and the management, including, but not limited to, the management letter and schedule of unadjusted differences. d) Discuss with Statutory Auditors, before the audit commences, the nature and scope of audit as well as post-audit discussion / review to ascertain any area of concern. e) Review with Statutory Auditor, any audit problems or difficulties and management's response. f) Resolve any disagreements of the Statutory Auditor with the management regarding financial reporting. g) Recommend to the Board, the appointment, re-appointment, removal of the Statutory auditors, fixation of audit fee and also approval for payment for any other services rendered by the Statutory Auditors.

h) Review, with the statutory auditors, certain information relating to the auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied to its financial reporting.
i) Review and suitably reply to the report(s) forwarded by the auditors on the matters where the auditors have sufficient reasons to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company. Such reply should be forwarded within prescribed period.

8. Internal Audit:
    a) Review on a regular basis the adequacy of internal audit function, approval of the audit plan and its execution, reporting structure, budget, coverage and frequency of internal audit.
    b) Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.
    c) Review the regular internal reports to management prepared by the internal audit department, as well as management's response thereto.
    d) Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
    e) Discuss with internal auditors any significant findings and follow-up thereon.
    f) Review Internal Audit Reports relating to the internal control weaknesses.

9. Whistleblowing/vigil mechanism: The Committee shall review the Company's arrangements for its directors and employees to raise concerns, in confidence, about possible wrong doing in financial reporting, accounting, auditing or any other genuine concerns. The mechanism shall provide adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action. In case of any conflict of interest, the Committee Members would disassociate from such investigation.
10. Evaluate Risk Management System.
11. Discuss with the management, the Company's policies with respect to risk assessment and risk management, including appropriate guidelines to govern the process, as well as the Company's major financial risk exposures including policy for foreign exchange and derivative transactions and the steps management has undertaken to control them.

12. **Related party transactions:**
    a) Review and approve the statement of all related party

	transactions submitted by the management, including the material related party transactions as decided by the policy. b) The committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely- c) The Audit Committee shall, after obtaining approval of the Board, specify the criteria for making the omnibus approval which shall include the following, namely:- • Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year; • The maximum value per transaction which can be allowed; • Extent and manner of disclosures to be made to the Committee at the time of seeking omnibus approval; • Review, at such intervals as the Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made; d) The Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: – • repetitiveness of the transactions (in past or in future); • Justification for the need of omnibus approval. e) The omnibus approval shall contain or indicate the following: – • name of the related parties; • nature and duration of the transaction; • maximum amount of transaction that can be entered into; • the indicative base price or current contracted price and the formula for variation in the price, if any; and • any other information relevant or important for the Audit Committee to take a decision on the proposed transaction. f) Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction. 13. **RBI Compliances:** a) Since the Company is registered with RBI as Systematically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI), there are

	several compliances and obligations applicable on the company as per RBI's various Master Directions, circulars and notices, etc. b) Periodic compliances of RBI such as fraud monitoring, filing quarterly, half-yearly and other returns are to be reviewed by the Committee. c) The Committee shall take all the necessary steps to comply with RBI compliances issued under various master directions, notices and circulars from time to time. 14. The Committee will report and update the Board, periodically, on various matters that it has considered as well as on the independence of the Auditors. 15. The Annual Report of the Company shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of members, Chairperson, meetings and attendance. 16. The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders. 17. Reporting regularly to the Board with respect to: a) The quality or integrity of the Company's financial statements; b) The Company's compliance with legal or regulatory requirements; c) The performance of the Statutory auditor as well as the Internal Audit Function; and d) The findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature. 18. Perform other activities as requested by the Board and carry out additional functions as is contained in the listing Regulation or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.

12.2 Nomination and Remuneration Committee:

The Company has in place the Nomination and Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and the rules made there under and in compliance with RBI guidelines on Corporate Governance.

Chairman	The Chairman of the Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present

	at the meeting shall choose one amongst them to act as Chairman.
Composition	The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least once in a year. The quorum shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.
Terms of reference	1. To formulate a criteria for determining qualifications, positive attributes and independence of a Director. 2. To ensure 'fit and proper' status of proposed/ existing Directors 3. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal. 4. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors. 5. To recommend to the Board the appointment and removal of Senior Management. 6. Recommend to the board, all remuneration, in whatever form, payable to senior management. 7. To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance. 8. To recommend to the Board on (i) remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive. 9. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract; 10. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, 11. To devise a policy on Board diversity; 12. To develop a succession plan for the Board and to regularly review the plan;

12.3 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Company and monitor economic and social impact on customer.

Composition	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board; 2. To recommend the amount of expenditure to be incurred on the activities; 3. To Monitor the Corporate Social Responsibility Policy of the company from time to time; and 4. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

12.4 RISK MANAGEMENT COMMITTEE

The Board has constituted the Risk Management Committee in compliance to RBI's Directions and guidelines.

Composition	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	1. The Company shall form a risk management committee ("Risk Management Committee") which will be responsible for reviewing the risk management process of the Company in the areas of portfolio, credit, off balance sheet and operational risk. 2. Assessment of the Company's risk profile and key areas of risk in particular. 3. Recommending to the Board and adopting risk assessment and rating procedures. 4. Development and implementation of a risk management framework and internal control system. 5. Assessing and recommending to the Board acceptable levels of risk.

12.5 ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO)

The Board has constituted the Asset and Liability Committee (ALCO) in compliance to RBI's Directions and guidelines.

Composition	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	1. Understanding business requirement and devising appropriate pricing strategies 2. Management of profitability by maintain relevant Net interest margins(NIM) 3. Ensuring Liquidity through maturity matching. 4. Management of balance sheet in accordance with internal policies and applicable regulatory requirements. 5. Ensure the efficient implementation of balance sheet management policies as directed by ALCO. 6. Review reports on liquidity, market risk and capital management. 7. To identify balance sheet management issues that are leading to under-performance and ensure corrective action. 8. Ensuring appropriate mix of different forms of debt i.e. Bank Loans, Commercial Paper, Non-Convertible Debentures, etc. 9. Giving directions to the ALM team on the interest rate risk. 10. ALCO delegates the daily management of liquidity risk and interest rate risk to ALM. 11. Approving major decisions affecting DMI's risk profile or exposure (product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by peer NBFCs for the similar services/product, etc). 12. Satisfy itself that the less fundamental risks are being actively managed, with the appropriate controls in place and working effectively. 13. Articulate the current interest rate review and formulate future business strategy on this view.

12.6 IT STARTEGY COMMITTEE

The Board has constituted the IT Strategy Committee as required by RBI Master Directions on IT framework.

Composition	The Committee shall consist of minimum three directors.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	Chairman of the committee shall be an independent director and CIO & CTO should be a part of the committee. Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. Committee shall work in partnership with other Board committees and Senior Management to provide input to them.

	The quorum shall be at least two Directors.
Terms of reference	1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place; 2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business; 3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable; 4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources; 5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

12.7 EXECUTIVE COMMITTEE

The Board has constituted the Executive Committee to Managing the day to day business and affairs of the Company.

Composition	1. Mr. Rajendra Kumar Setia (Managing Director) 2. Mrs. Shalini Setia (Whole–Time Director) 3. Mr. Atul Arora (Chief Financial Officer) 4. Mr. Vivek Singh (Head Treasury)
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	1. Managing the day to day business and affairs of the Company; 2. Establishing best management practices and functional standards and secretarial standards. 3. Senior management appointments and monitoring the performance of senior management; and 4. Borrow moneys and exercise all powers to borrow moneys not exceeding Rs. 3250 crore (Rupees three thousand two hundred and fifty crores) in aggregate at any time and taking all necessary actions connected therewith within the limit prescribed under law. 5. Provide guarantee including performance guarantee, issue letter of comfort and providing securities and taking all necessary actions connected therewith (subject to compliances under

	sections 185 and 186 of Companies Act, 2013. 6. Review of banking arrangement and taking all necessary actions connected therewith including re-financing for optimization of borrowing costs (subject to overall limit of borrowing). 7. Investment of the funds of the Company (subject to compliance of all applicable provisions of Companies Act, 2013). 8. Review of the Company's financial policies, strategies and capital structure. 9. Adoption & Amendment of any policy 10. Advise on financial matters/policies in overall interest of Company. 11. Opening of bank account or operation of bank account, 12. Appointment of employee/ officers and assignment of their duties for legal representations on behalf of company to present before the court or any other governing body. 13. Appointment of employee/ officers and assignment of their duties for Securitization of its Receivables. 14. Issue and Allot non-convertible debentures aggregating up to Rs 2500 Crores (Rupees two thousand and five hundred crores) in one or more tranches from time to time.

12.8 Approved Composition of all the Board Committees of the Company (updated as on 16th June, 2020)

Sr. No.	Committee	Members
1	Board of Directors	1. Mr. Rajendra Kumar Setia-Managing Director 2. Ms. Shalini Setia- Wholetime Director 3. Mr. Anand Raghavan- Independent Director 4. Mr. Amar Lal Daultani- Independent Director 5. Mr. Munish Dayal- Nominee Director 6. Mr. Akshay Tanna- Nominee Director
2	Executive Committee	1. Mr. Rajendra Kumar Setia-Chairman 2. Ms. Shalini Setia 3. Mr. Atul Arora 4. Mr. Vivek Singh
3	Audit Committee	1. Mr. Anand Raghavan-Chairman 2. Mr. Amar Lal Daultani 3. Mr. Munish Dayal
4	Nomination and Remuneration Committee	1. Mr. Anand Raghavan-Chairman 2. Mr. Amar Lal Daultani 3. Mr. Munish Dayal
5	Corporate Social Responsibility Committee	1. Mr. Rajendra Kumar Setia-Chairman 2. Mr. Anand Raghavan 3. Mr. Amar Lal Daultani 4. Mr. Akshay Tanna
6	Asset and Liability Committee	1. Mr. Rajendra Kumar Setia-Chairman 2. Mr. Anand Raghavan 3. Ms. Shalini Setia 4. Mr. Akshay Tanna
7	Risk Management Committee	1. Mr. Rajendra Kumar Setia-Chairman 2. Mr. Amar Lal Daultani 3. Ms. Shalini Setia 4. Mr. Akshay Tanna
8	IT Strategy Committee	1. Mr. Amar Lal Daultani 2. Mr. Anand Raghavan 3. Mr. Pratit Vijayvargiya 4. Mr. Gajendra Kumar

13. COMPANY WEBSITE

The Company will publish this Corporate Governance Policy on its website for the information of various stakeholders.

ANNEXURE 1
FORMAT OF DECLARATION AND UNDERTAKING BY THE DIRECTOR

Name of NBFC: **ESS KAY FINCORP LIMITED** (Erstwhile Ess Kay Auto Finance Private Limited**)**

I. Personal details of director

a. Full name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address / Telephone Number	
h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to Directorship of the NBFC	

II. Relevant Relationships of director

a. List of Relatives if any who are connected with the NBFC (Refer section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)

b. List of entities if any in which he/she is considered as being interested (Refer section 299(3)(a) and section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013).

Name of the Company	Date of Appointment	Date of Cessation

c. List of entities in which he/she is considered as holding substantial interest within the meaning of prudential norms as prescribed in these Directions.

d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)

e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC

f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.

III. Records of professional achievements

a. Relevant professional achievements

IV. Proceedings, if any, against the director

a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.

b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations

c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director

d. Whether the director attracts any of the disqualifications envisaged under section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013.

e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency.

f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars

g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)

V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper.

UNDERTAKING

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the company fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Signature

Mr.
Place:
Date:

VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC

Signature

Place:
Date:

ANNEXURE-2
DEED OF COVENANTS

Form of Deed of Covenants with a Director of **Ess Kay Fincorp Limited**:

THIS DEED OF COVENANTS is made at this ________ Day of ___________, Two Thousand ________________ BETWEEN Ess Kay Fincorp Limited having its registered office at G-1&2 New Market Khasa Kothi Jaipur-302001 (hereinafter a non-deposit taking NBFC with asset size of Rs.500 crore and above being called the “Company") of the one part ; and

Mr. ________________ of Ess Kay Fincorp Limited (hereinafter called the "Director") of the other part.
WHEREAS

A. The director has been appointed as a director on the Board of Directors of the Company (hereinafter called "the Board") and is required as a term of his appointment to enter into a Deed of Covenants with Ess Kay Fincorp Limited.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:
1. The director acknowledges that his appointment as director on the Board of the Company is subject to applicable laws and regulations including the Memorandum and Articles of Association of the company and the provisions of this Deed of Covenants.

2. The director covenants with the Company that:
(i) The director shall disclose to the Board the nature of his interest, direct or indirect, if she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Company and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his other directorships, his memberships of bodies corporate, his interest in other entities and his interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the Company a list of his relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies' corporate, firms and other entities.

(iv) The director shall in carrying on his duties as director of the Company:

a. use such degree of skill as may be reasonable to expect from a person with his knowledge or experience;

b. in the performance of his duties take such care as she might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interests of the Company;

c. shall keep himself informed about the business, activities and financial status of the Company to the extent disclosed to him;

d. attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his obligations as director of the Company;

e. shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;

f. shall bring independent judgment to bear on all matters affecting the Company brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;

g. shall in exercise of his judgment in matters brought before the Board or entrusted to him by the Board be free from any business or other relationship which could materially interfere with the exercise of his independent judgment; and

h. shall express his views and opinions at Board meetings without any fear or favour and without any influence on exercise of his independent judgment;

(v) The director shall have :

a. fiduciary duty to act in good faith and in the interests of the Company and not for any collateral purpose;

b. duty to act only within the powers as laid down by the Company's Memorandum and Articles of Association and by applicable laws and regulations; and

c. duty to acquire proper understanding of the business of the Company.

(vi) The director shall:
a. not evade responsibility in regard to matters entrusted to him by the Board;

b. not interfere in the performance of their duties by the whole-time directors and other officers of the Company and wherever the director has reasons to believe otherwise, she shall forthwith disclose his concerns to the Board; and

c. not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the Company in his capacity as director of the Company only for the purposes of performance of his duties as a director and not for any other purpose.

3. The Company's covenants with the director that:

(i) the Company shall apprise the director about:
a. Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
b. control systems and procedures;
c. voting rights at Board meetings including matters in which Director should not participate because of his interest, direct or indirect therein;
d. qualification requirements and provide copies of Memorandum and Articles of Association;
e. corporate policies and procedures;
f. insider dealing restrictions;
g. constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
h. appointments of Senior Executives and their authority;
i. remuneration policy,
j. deliberations of committees of the Board, and
k. communicate any changes in policies, procedures, control systems, applicable regulations including

Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the Company shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following :
a. all relevant information for taking informed decisions in respect of matters brought before the Board;
b. Company's strategic and business plans and forecasts;
c. organizational structure of the Company and delegation of authority;
d. corporate and management controls and systems including procedures;
e. economic features and marketing environment;
f. information and updates as appropriate on Company's products;
g. information and updates on major expenditure;
h. periodic reviews of performance of the Company; and
i. report periodically about implementation of strategic initiatives and plans;

(iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The Company shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The Company shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his office and his rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Company.

7.The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN

For the Company　　　　　　　　　　Director

Name: ________________　　　　　　　　　　Name: ____________

Title: ____________________

In the presence of:

1.

2.

Annexure-3
Indicative List of Balance Sheet Disclosure for NBFCs with Asset Size Rs.500

Crore and Above and Deposit Taking NBFCs

1. Minimum Disclosures

At a minimum, the items listed in this Annex should be disclosed in the NTA by all applicable NBFCs. The disclosures listed are intended only to supplement, and not to replace, other disclosure requirements as applicable.

2. Summary of Significant Accounting Policies

NBFCs should disclose the accounting policies regarding key areas of operations at one place along with NTA in their financial statements. A suggestive list includes - Basis of Accounting, Transactions involving Foreign Exchange, Investments - Classification, Valuation, etc, Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

3.1 Capital

(Amount in Rs. crore)			
Particulars		**Current Year**	**Previous Year**
i)	CRAR (%)		
ii)	CRAR - Tier I Capital (%)		
iii)	CRAR - Tier II Capital (%)		
iv)	Amount of subordinated debt raised as Tier-II capital		
v)	Amount raised by issue of Perpetual Debt Instruments		

3.2 Investments

(Amount in Rs.crore)					
Particulars				**Current Year**	**Previous Year**
(1)	Value of Investments				
	(i)	Gross Value of Investments			
		(a)	In India		
		(b)	Outside India,		
	(ii)	Provisions for Depreciation			
		(a)	In India		
		(b)	Outside India,		
	(iii)	Net Value of Investments			

		(a)	In India		
		(b)	Outside India.		
(2)					
	Movement of provisions held towards depreciation on investments.				
	(i)	Opening balance			
	(ii)	Add : Provisions made during the year			
	(iii)	Less : Write-off / write-back of excess provisions during the year			
	(iv)	Closing balance			

3.3 Derivatives

3.3.1 Forward Rate Agreement / Interest Rate Swap

(Amount in Rs crore)			
Particulars		**Current Year**	**Previous Year**
(i)	The notional principal of swap agreements		
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
(iii)	Collateral required by the NBFC upon entering into swaps		
(iv)	Concentration of credit risk arising from the swaps $		
(v)	The fair value of the swap book @		
Note : Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.			

$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.
@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the NBFC would receive or pay to terminate the swap agreements as on the balance sheet date.

3.3.2 Exchange Traded Interest Rate (IR) Derivatives

(Amount in Rs.crore)		
S. No.	**Particulars**	**Amount**

(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)		
	a)		
	b)		
	c)		
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March ….. (instrument-wise)		
	a)		
	b)		
	c)		
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)		
	a)		
	b)		
	c)		
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)		
	a)		
	b)		
	c)		

3.3.3 Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure

NBFCs shall describe their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

a) the structure and organization for management of risk in derivatives trading,
b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(Amount in Rs. crore)			
Sl. No.	**Particular**	**Currency Derivatives**	**Interest Rate Derivatives**
(i)	Derivatives (Notional Principal Amount)		

	For hedging		
(ii)	Marked to Market Positions [1]		
	a) Asset (+)		
	b) Liability (-)		
(iii)	Credit Exposure [2]		
(iv)	Unhedged Exposures		

3.4 Disclosures relating to Securitisation

3.4.1 The NTA of the originating NBFCs should indicate the outstanding amount of securitised assets as per books of the SPVs sponsored by the NBFC and total amount of exposures retained by the NBFC as on the date of balance sheet to comply with the Minimum Retention Requirements (MRR). These figures should be based on the information duly certified by the SPV's auditors obtained by the originating NBFC from the SPV. These disclosures should be made in the format given below.

S. No.	Particulars			No. / Amount in ₹crore
1.	No of SPVs sponsored by the NBFC for securitisation transactions*			
2.	Total amount of securitised assets as per books of the SPVs sponsored			
3.	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet			
	a)	Off-balance sheet exposures		
		First loss		
		Others		
	b)	On-balance sheet exposures		
		First loss		
		Others		
4.	Amount of exposures to securitisation transactions other than MRR			
	a)	Off-balance sheet exposures		
		i)	Exposure to own securitizations	
			First loss	
			Loss	
		ii)	Exposure to third party securitisations	
			First loss	
			Others	
	b)	On-balance sheet exposures		
		i)	Exposure to own securitisations	
			First loss	
			Others	
		ii)	Exposure to third party securitisations	
			First loss	
			Others	
*Only the SPVs relating to outstanding securitisation transactions may be reported here				

3.4.2 Details of Financial Assets sold to Securitisation / Reconstruction

Company for Asset Reconstruction

(Amount in Rs. crore)			
Particulars		**Current year**	**Previous Year**
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

3.4.3 Details of Assignment transactions undertaken by NBFCs

(Amount in Rs. crore)			
Particulars		**Current year**	**Previous Year**
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

3.4.4 Details of non-performing financial assets purchased / sold

NBFCs which purchase non-performing financial assets from other NBFCs shall be required to make the following disclosures in the NTA to their Balance sheets:

A. ***Details of non-performing financial assets purchased :***

(Amount in Rs.crore)				
Particulars			**Current year**	**Previous Year**
1.	(a)	No. of accounts purchased during the year		
	(b)	Aggregate outstanding		
2.	(a)	Of these, number of accounts restructured during the year		
	(b)	Aggregate outstanding		

B. ***Details of Non-performing Financial Assets sold :***

(Amount in Rs. crore)			
Particulars		**Current year**	**Previous Year**
1.	No. of accounts sold		
2.	Aggregate outstanding		
3.	Aggregate consideration received		

3.5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

	Up to 30/31 days	**Over 1 monthupto 2 Month**	**Over 2 months upto 3months**	**Over 3 month & up to 6 month**	**Over 6 Month & up to 1 year**	**Over 1 year & up to 3 years**	**Over 3 years & up to 5 years**	**Over 5 years**	**Total**
Deposits									
Advances									
Investments									
Borrowings									
Foreign Currency assets									
Foreign Currency liabilities									

3.6 Exposures

3.6.1 Exposure to Real Estate Sector

(Amount in Rs. crore)

Category			Current Year	Previous Year
a)	**Direct Exposure**			
	(i)	**Residential Mortgages -**		
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
	(ii)	**Commercial Real Estate -**		
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multi- purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits		
	(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
		a. Residential		
		b. Commercial Real Estate		
Total Exposure to Real Estate Sector				

3.6.2 Exposure to Capital Market

(Amount in Rs. crore)

Particulars		Current Year	Previous Year
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;		
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		

(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;		
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii)	bridge loans to companies against expected equity flows / issues;		
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)		
Total Exposure to Capital Market			

3.6.3 Details of financing of parent company products

3.6.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The NBFC should make appropriate disclosure in the NTA to the annual financial statements in respect of the exposures where the NBFC had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for exposure limit.

3.6.5 Unsecured Advances

a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the NBFCs as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured. b) NBFCs should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in NTA. This would differentiate such loans from other entirely unsecured loans.

4. Miscellaneous

4.1 Registration obtained from other financial sector regulators

4.2 Disclosure of Penalties imposed by RBI and other regulators

Consistent with the international best practices in disclosure of penalties imposed by the regulators, placing the details of the levy of penalty on the NBFC in public domain will be in the interests of the investors and depositors. Further, strictures or directions on the basis of inspection reports or other adverse findings should also be placed in the public domain. The penalties should also be disclosed in the NTA.

4.3Related Party Transactions

a) Details of all material transactions with related parties shall be disclosed in the annual report
b) The company shall disclose the policy on dealing with Related Party
c) Transactions on its website and also in the Annual Report.

4.4 Ratings assigned by credit rating agencies and migration of ratings during the year

4.5 Remuneration of Directors

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

4.6 Management

As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

a) Industry structure and developments. b)
Opportunities and Threats.
c) Segment–wise or product-wise performance.
d) Outlook
e) Risks and concerns.
f) Internal control systems and their adequacy.
g) Discussion on financial performance with respect to operational performance.
h) Material developments in Human Resources / Industrial Relations front, including number of people employed.

4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies
Since the format of the profit and loss account of NBFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the NTA.

4.8 Revenue Recognition

An enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

4.9 Accounting Standard 21 -Consolidated Financial Statements (CFS)

NBFCs may be guided by general clarifications issued by ICAI from time to time.

A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries - domestic as well as foreign. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

5. Additional Disclosures

5.1 Provisions and Contingencies

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, NBFCs are required to disclose in the

NTA the following information:

(Amount in Rs. crore)		
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Current Year	Previous Year
Provisions for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		
Provision for Standard Assets		

5.2 Draw Down from Reserves

Suitable disclosures are to be made regarding any draw down of reserves in the NTA.

5.3 Concentration of Deposits, Advances, Exposures and NPAs

5.3.1 Concentration of Deposits (for deposit taking NBFCs)

(Amount in Rs. crore)	
Total Deposits of twenty largest depositors	
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	

5.3.2 Concentration of Advances

(Amount in Rs. crore)	
Total Advances to twenty largest borrowers	
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	

5.3.3 Concentration of Exposures

(Amount in Rs. crore)	
Total Exposure to twenty largest borrowers / customers	
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	

5.3.4 Concentration of NPAs

(Amount in Rs. crore)	
Total Exposure to top four NPA accounts	

5.3.5 Sector-wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1.	Agriculture & allied activities	
2.	MSME	
3.	Corporate borrowers	
4.	Services	
2.	Unsecured personal loans	
3.	Auto loans	
4.	Other personal loans	

5.4 Movement of NPAs

(Amount in Rs. crore)

Particulars			Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)			
(ii)	Movement of NPAs (Gross)			
	(a)	Opening balance		
	(b)	Additions during the year		
	(c)	Reductions during the year		
	(d)	Closing balance		
(iii)	Movement of Net NPAs			
	(a)	Opening balance		
	(b)	Additions during the year		
	(c)	Reductions during the year		
	(d)	Closing balance		
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening balance		
	(b)	Provisions made during the year		
	(c)	Write-off / write-back of excess provisions		
	(d)	Closing balance		

5.5 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Total Assets

5.6 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	**Overseas**

6. Disclosure of Complaints

6.1 <u>Customer Complaints</u>

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	