

LAKME INVESTMENT AND FINANCE LIMITED

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1. PREAMBLE

Lakme Investment and Finance Limited (“the Company”) is a Non-Banking Financial Company – Base Layer (NBFC-BL) registered with the Reserve Bank of India (“RBI”) and engaged in providing credit facilities to eligible borrowers. The Company recognizes that a well-defined loan policy is essential to ensure prudent lending practices, effective risk management, regulatory compliance, and sustainable business growth.

This Loan Policy has been formulated to establish a comprehensive framework governing the Company's lending activities, including appraisal, sanction, disbursement, monitoring, collection, recovery, and review of credit facilities. The Policy aims to ensure that all lending decisions are based on sound credit principles, proper due diligence, assessment of repayment capacity, and evaluation of associated risks while maintaining fairness, transparency, and consistency in credit administration.

The Company is committed to adopting responsible lending practices that protect the interests of both the borrower and the Company. Credit facilities shall be extended only after carrying out appropriate Know Your Customer (KYC), Anti-Money Laundering (AML), credit assessment, and risk evaluation procedures in accordance with applicable regulatory requirements and internal risk management standards.

This Policy has been framed in accordance with the provisions of the applicable laws and regulations, including the guidelines, directions, circulars, and notifications issued by the Reserve Bank of India from time to time, particularly those applicable to NBFC–Base Layer entities. The Policy also incorporates principles of customer protection, fair practices, responsible lending, and ethical business conduct.

The objective of this Policy is to provide a structured approach for identifying eligible borrowers, determining permissible credit exposure, pricing of loans, obtaining appropriate security, monitoring portfolio quality, managing credit concentration risks, and ensuring timely recovery of dues. The Policy shall serve as a guiding document for the Board of Directors, management, and employees involved in the credit lifecycle and shall be reviewed periodically to align with the Company's business strategy, risk appetite, and evolving regulatory requirements.

Through this Policy, the Company seeks to maintain a high-quality loan portfolio, promote financial inclusion, support legitimate business and personal credit requirements, and create long-term value for its customers and stakeholders while preserving the safety and soundness of the Company.

2. OBJECTIVE

The objectives of this Policy are:

1. Maintain a high-quality loan portfolio.
2. Ensure prudent and responsible lending.
3. Promote sustainable growth of the loan book.
4. Protect the Company's capital.
5. Ensure regulatory compliance.
6. Minimize credit losses.
7. Promote fair treatment of borrowers.
8. Maintain adequate portfolio diversification.

3. SCOPE:

This Loan Policy ("Policy") establishes the framework governing all lending activities of Lakme Investment and Finance Limited ("Company").

The Policy is formulated in accordance with:

- a. Reserve Bank of India Act, 1934
- b. RBI Master Direction – NBFC Base Layer (NBFC-BL)
- c. RBI KYC Directions
- d. RBI Fair Practices Code
- e. RBI Digital Lending Guidelines
- f. RBI Prudential Norms Directions
- g. Prevention of Money Laundering Act, 2002
- h. Applicable Accounting Standards and Companies Act, 2013
- i. Other applicable RBI circulars issued from time to time

The Policy provides guidelines for appraisal, sanction, disbursement, monitoring, collection, recovery and management of credit facilities.

4. APPLICABILITY

This Policy shall apply to:

- a. All loan products offered by the Lakme.
- b. All branches, business units, and employees involved in lending operations.
- c. All secured and unsecured lending activities.
- d. Digital, physical, and co-lending loan operations.
- e. Loans sourced directly or through intermediaries and agents.

5. DEFINITIONS

5.1 Borrower

Any individual, firm, company, LLP, trust, society, partnership, or other legal entity availing credit facilities from the NBFC.

5.2 Credit Facility

Any loan, advance, guarantee, financial accommodation, line of credit, or other financial assistance extended by the Lakme.

5.3 Secured Loan

A loan backed by tangible or intangible security including immovable property, movable assets, receivables, deposits, guarantees, or collateral.

5.4 Unsecured Loan

A loan granted without tangible security based on creditworthiness and repayment capacity.

5.5 NPA

Non-Performing Asset as classified under RBI prudential norms.

6. GOVERNANCE FRAMEWORK

6.1 Board of Directors

The Board shall:

- a. Approve the Loan Policy.
- b. Define risk appetite and exposure limits.
- c. Review portfolio quality periodically.
- d. Monitor concentration risks and compliance.

6.2 Credit Committee

The Credit Committee shall:

- a. Review and approve credit proposals within delegated authority.
- b. Monitor large exposures.
- c. Recommend policy modifications.
- d. Review stressed assets and recovery performance.

6.3 Management Responsibility

Senior management shall:

- a. Implement the Loan Policy.
- b. Ensure adequate credit controls.
- c. Monitor operational compliance.
- d. Maintain portfolio quality standards.
- e. Obtain feedback and suggest review/amendment to the policy to make it more effective in extant market conditions.

7. CREDIT PHILOSOPHY

The Company shall follow the following lending principles:

- a. Cash-flow based lending.
- b. Ability-to-pay assessment.
- c. Responsible lending practices.
- d. Risk-based pricing.
- e. Diversified portfolio approach.
- f. Security-backed lending wherever appropriate.
- g. Continuous portfolio monitoring.
- h. Compliance with RBI regulations.

The Company shall avoid speculative lending and transactions lacking a clearly identifiable repayment source.

8. TYPES OF LOANS

The Company may offer:

Retail Loans

- a. Personal Loans
- b. Gold Loans
- c. Vehicle Loans
- d. Education Loans
- e. Consumer Durable Loans

Business Loans

- a. MSME Loans
- b. Working Capital Loans
- c. Term Loans
- d. Machinery Loans
- e. Equipment Finance

Secured Loans

- a. Loan Against Property (LAP)
- b. Mortgage Loans
- c. Receivable Financing
- d. Supply Chain Finance
- e. Invoice Discounting

Specialized Loans

- a. Construction Finance
- b. Bridge Finance
- c. Revenue Based Funding
- d. Venture Fund
- e. Structured Credit

Any new product shall require Board approval.

9. ELIGIBILITY CRITERIA

The Company may extend financial assistance to:

- a. Individuals
- b. Proprietorship concerns
- c. Partnership Firms
- d. LLPs
- e. Private Limited Companies
- f. Public Limited Companies
- g. Trusts
- h. Societies
- i. MSMEs
- j. Startups
- k. Self-employed professionals
- l. Other entities permitted by law

Subject to:

- a. KYC compliance
- b. Creditworthiness assessment
- c. Internal risk parameters

10. CREDIT APPRAISAL PROCESS

10.1 Borrower Assessment

All loan proposals shall undergo:

- a. KYC verification.
- b. Financial analysis.
- c. Credit bureau checks.
- d. Bank statement analysis.
- e. Income assessment.
- f. Business verification.
- g. Field investigations where necessary.

10.2 Risk Assessment

Credit evaluation shall consider:

- a. Repayment capacity.
- b. Cash flow adequacy.
- c. Industry risk.
- d. Market conditions.
- e. Promoter background.
- f. Existing indebtedness.
- g. Security coverage.

10.3 Financial Assessment

- a. Debt Service Coverage Ratio (DSCR)
- b. Fixed Obligation Coverage Ratio (FOIR)
- c. EBITDA Analysis
- d. Cash Flow Assessment
- e. Net Worth Analysis
- f. Leverage Analysis

10.4 Security Assessment

- a. Security Coverage
- b. Valuation
- c. Legal Due Diligence
- d. Title Verification

11. PRICING OF LOANS

11.1 Interest Rates

Interest rates shall be determined based on:

- a. Cost of funds.
- b. Credit risk profile.
- c. Loan tenure.
- d. Nature of security.
- e. Market conditions.
- f. Operational costs.

11.2 Additional Charges

The Lakme may levy:

- a. Processing fees.
- b. Documentation charges.
- c. Penal charges.
- d. Legal charges.
- e. Valuation charges.
- f. Foreclosure charges (subject to RBI regulations).

All charges shall be transparently disclosed to borrowers.

12. CONCENTRATION RISK EXPOSURE EXEMPTIONS AND ENHANCED MONITORING

12.1 Concentration Risk Framework

The Company shall maintain a diversified loan portfolio and monitor concentration risk across:

- a. Single Borrower Exposure;
- b. Group Borrower Exposure;
- c. Industry / Sector Exposure;
- d. Geographic Exposure;
- e. Product-wise Exposure;
- f. Security-wise Exposure.

The Risk Management Department shall periodically monitor concentration levels and report material concentration to the Board.

12.2 Exposure Limits

As the Company is a Non-Deposit Taking NBFC and does not utilize public funds, statutory concentration norms applicable to certain categories of NBFCs and banks may not be directly applicable.

Accordingly, the Company shall follow Board-approved internal exposure limits as prescribed from time to time.

The Company shall establish exposure limits and exemptions for Specific Transactions:

- a. Single Borrower Exposure - 25 % of AUM for Short Term Trade loans. Short Term will be within 180 days credit Period.
- b. Group/ Single Borrower Exposure – 40% of AUM including Secured Term Loans against Property and Short-Term Trade Loans Secured against Receivables.
- c. Long term loans with tenors exceeding 3 years shall not exceed in aggregate 1.5 times aggregate of NOF and term deposits/debentures with tenors exceeding 3 years. Generally long-term loans will only be on fully secured basis.

Any deviation shall require Board approval. All other Transactions should comply with Exposure Norms prescribed by RBI.

The Board may revise such limits based on capital position, risk appetite and business requirements.

12.3 Exemption from Internal Exposure Limits

The following exposures may be exempted from internal concentration limits subject to enhanced approval and monitoring:

1. Loans against 100 % Trade Orders with credit period of 180 days and the company has control over its financial operation.
2. Loans secured by completed residential or commercial properties having security cover of at least 1.50 times the outstanding exposure.
3. Loans backed by irrevocable corporate guarantees from financially strong entities acceptable to the Company.
4. Loans where repayment is routed through escrow mechanisms and supported by assignment of receivables.
5. Loans approved as strategic exposures by the Board.
6. Temporary excess arises solely due to accrued interest, capitalization of interest or timing differences.
7. Exposures covered under Government guarantee schemes or approved credit guarantee programs.

12.4 Approval for Exempted Exposures

Any exposure exceeding internal concentration limits shall require:

- a. Control over financial operations of the customers
- b. Approval of the Credit Committee; and
- c. Board approval where exposure exceeds prescribed delegated authority.

The rationale for exemption shall be documented.

12.5 Enhanced Monitoring of Higher Exposures

The following controls shall apply:

A. Monthly Monitoring

The Credit Department shall review:

- Outstanding exposure;
- Repayment performance;
- Security coverage;
- Escrow collections;
- Covenant compliance;
- End-use monitoring.

B. Quarterly Portfolio Review

The Risk Management Department shall submit to the Board:

- Top 5 borrower exposures;
- Top group exposures;
- Sector-wise concentration analysis;
- Security coverage analysis;
- Stress account monitoring.

C. Annual Reassessment

Higher Exposure Accounts shall undergo:

- Fresh financial analysis;
- Updated valuation of security;
- Legal review of security documents;
- Review of repayment source and cash flows.

D. Early Warning Signal Monitoring

The following events shall trigger immediate review:

- Delay in EMI or interest servicing;
- Decline in escrow collections;
- Deterioration in financial performance;
- Reduction in collateral value;
- Adverse legal proceedings;
- Credit bureau deterioration;
- Cheque or NACH dishonor;
- Statutory defaults.

E. Risk Mitigation Measures

Where concentration risk is considered elevated, the Company may at its sole discretion:

- Obtain additional collateral;
- Obtain additional guarantees;
- Appoint Nominee Directors to the Board of Directors.
- Reduce/cancel undrawn limits;
- Increase escrow controls;
- Accelerate repayments;
- Restrict fresh disbursements;
- Increase provisioning based on management assessment;
- Sell down or assign exposure where feasible.

12.6 Board Oversight

The Board shall review concentration risk and higher exposure accounts at least quarterly and may prescribe additional monitoring, security requirements or exposure restrictions whenever considered necessary.

13. SECURITY AND COLLATERAL

13.1 Acceptable Security

Lakme may accept:

- a. Immovable property. Encumbrance if any to be ascertained, documented and found acceptable. Other lenders to be notified of the Company's interest in the property
- b. Gold and jewellery.
- c. Vehicles and machinery.
- d. Fixed deposits. Suitable line to be marked with the deposit holder.
- e. Receivables and book debts.
- f. Stocks and inventory. Valuation as per standard norms and statement to be submitted at least quarterly
- g. Personal and corporate guarantees.
- h. Quoted and Unquoted Shares. Margin of 75%. Market value of quoted shares to be checked monthly and top up sought if required.
- i. Corporate Guarantees
- j. Other acceptable collateral.

13.2 Valuation

Security valuation shall be conducted through valuers wherever applicable.

13.3 Insurance

Charged assets shall be adequately insured wherever necessary. Customers agree that Company can renew insurance policy for appropriate value and risk cover as determined by the Company and premium debited to the customer account and form part of repayment obligations.

14. RELATED PARTY LENDING

Loans to:

1. Directors
2. Senior Management
3. Relatives of Directors
4. Group Companies
5. Related Parties

shall comply with:

- a. Companies Act, 2013
- b. RBI Directions
- c. Board-approved Related Party Policy
- d. Interested Directors shall abstain from approval.
- e. Such loans to be appraised and priced as per policy of the Company.

15. LOAN SANCTIONING AUTHORITY

Loan sanctioning powers shall be delegated based on:

- a. Loan amount.
- b. Product category.
- c. Risk rating.
- d. Security coverage.

The Board may prescribe approval matrices from time to time.

Any deviation from policy norms shall require approval from competent authority.

Loan approvals shall be delegated through a Board-approved Delegation Matrix.

Authority	Sanction Limit
Credit Manager	As approved by Board
Director	As approved by Board
Credit Committee	As approved by Board
Board	Above delegated limits

Sanction at any level except Board will be subject to post facto report to the next higher level

16. DISBURSEMENT

Loan disbursement shall be subject to:

- a. Execution of all required and stipulated documentation.
- b. Creation/perfection of security.
- c. Compliance with sanction conditions.
- d. Verification of end-use where applicable.

Disbursement may be made:

- a. In full, or
- b. In stages linked to project progress/business requirement.

17. POST-DISBURSEMENT MONITORING

The NBFC shall monitor:

- a. Repayment performance.
 - b. End use of funds.
 - c. Financial health of borrowers.
 - d. Security value.
 - e. Compliance with loan covenants.
- Periodic inspections and reviews may be conducted.

18. REPAYMENT AND COLLECTION

18.1 Repayment Methods

Repayments may be collected through:

- a. ECS/NACH.
- b. Bank transfer.
- c. Cheque.
- d. Auto debit.
- e. Digital payment channels.
- f. Collection Service arrangements, if any.

18.2 Delinquency Monitoring

Overdue accounts shall be monitored regularly and escalated based on ageing.

18.3 Early Warning signals:

The following should trigger enhanced monitoring and if warranted, recall of the entire facility:

- a. EMI bounce
- b. Deterioration in bank conduct
- c. GST defaults
- d. Statutory non-compliance
- e. Significant decline in turnover
- f. Adverse market information
- g. Security impairment

19. RECOVERY MECHANISM

19.1 Recovery Practices

Recovery shall be conducted:

- a. Professionally and ethically.
- b. Without harassment or coercion.
- c. In compliance with RBI Fair Practices Code.

19.2 Legal Action

The NBFC may initiate:

- a. SARFAESI proceedings (where applicable).
- b. Arbitration.
- c. Civil recovery proceedings.
- d. Insolvency proceedings.
- e. Criminal proceedings in cases of fraud.

20. ASSET CLASSIFICATION AND PROVISIONING

Asset classification and provisioning shall be carried out strictly in accordance with RBI Prudential Norms applicable to NBFCs.

The NBFC shall maintain adequate provisions for:

- a. Standard Assets.
- b. Sub-standard Assets.
- c. Doubtful Assets.
- d. Loss Assets.

21. RESTRUCTURING AND SETTLEMENT

The Lakme may permit:

- a. Loan restructuring.
- b. Reschedulement.
- c. One-time settlement (OTS).

Such approvals shall be subject to internal guidelines and competent authority approval.

22. FAIR PRACTICES CODE

The Lakme shall ensure:

- a. Transparent loan terms.
- b. Non-discriminatory practices.
- c. Timely communication.
- d. Proper grievance redressal.
- e. Fair collection and recovery practices.

23. CUSTOMER GRIEVANCE REDRESSAL

The Lakme shall maintain a grievance redressal mechanism with:

- a. Dedicated Grievance Officer.
- b. Defined escalation matrix.
- c. Timely complaint resolution process.

Borrowers shall be informed about escalation to RBI Ombudsman wherever applicable.

24. AUDIT AND COMPLIANCE

The Lakme shall conduct:

- a. Internal audits.
- b. Credit audits.
- c. Concurrent audits.
- d. Compliance reviews.
- e. Where required Lakme may with notice to the customer and at the expense of the customer get domain experts to value the security and/or assess viability of the customers operations.

Audit findings shall be placed before management and the Board.

25. BORROWER IDENTIFICATION AND AADHAAR LINKED MOBILE NUMBER:

The borrower identity shall be maintained through KYC records and Aadhaar-linked mobile number where available and legally permissible.

The Borrower shall mandatorily inform the NBFC immediately in writing or through approved digital channels regarding any change in:

1. Aadhaar-linked mobile number;
2. Aadhaar details;
3. KYC information; or
4. Any other identity credentials registered with the LAKME.

Such obligation shall form an integral part of the Loan Agreement and non-compliance may be treated as a breach of loan terms.

In the event of any change in the Borrower's Aadhaar number or Aadhaar-linked identity credentials, the LAKME shall, after completion of applicable KYC verification and internal approval process:

1. Create a new Member ID/customer profile in the Loan Management System ("LMS");
2. Transfer the outstanding balance and all related loan records of the existing loan account to the newly created Member ID;
3. Ensure continuity of repayment obligations, security interests, guarantees, and contractual liabilities without interruption.

The above process shall be subject to compliance with applicable RBI KYC Directions, data privacy requirements, and internal operational controls of the LAKME.

26. POLICY REVIEW

This Policy shall be reviewed at least annually, or Earlier based on regulatory changes, market conditions, or business requirements. Any amendments shall require approval by the Board of Directors.

27. BOARD APPROVAL

Approved by the Board of Directors at its meeting held on 20.03.2026.