JAI KRISHAN FINLEASE PVT LIMITED

WHOLESALE LENDING POLICY

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Jai Krishan Finlease Pvt Ltd

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Wholesale Lending Policy

Jai Krishan Finlease Pvt Ltd (JKFPL)

This board approved underwriting policy for wholesale lending that outlines the principles, standards, and frameworks governing the design, approval, implementation, monitoring, and discontinuation of financial products offered by Jai Krishan Finlease Pvt. Ltd. (JKFPL). This Underwriting Policy for Wholesale Lending has been formulated to establish a uniform, prudent, and transparent framework for appraisal, sanction, and monitoring of wholesale credit exposures. The policy aims to ensure sound credit decision-making, effective risk management, and long-term asset quality.

Objective

The primary objective of this policy is to define the principles and parameters governing wholesale lending by the Company. It seeks to ensure that credit facilities are extended only after proper due diligence of the borrower's creditworthiness, repayment capacity, and risk profile. The policy also aims to align lending operations with RBI regulations, promote consistency in underwriting standards, minimize credit losses, and safeguard the interests of stakeholders.

- Establish a robust and standardized underwriting framework for wholesale lending.
- Ensure credit discipline, risk mitigation, and portfolio quality.
- Align lending practices with RBI Master Directions on NBFCs.
- Define clear roles, responsibilities, and approval authority.
- Promote transparency, consistency, and accountability in credit decisions.

Scope of the Policy

This policy shall apply to all wholesale lending facilities sanctioned by the Company. Wholesale lending includes loans and advances provided to non-individual borrowers such as corporates, partnership firms, limited liability partnerships, proprietorship concerns, trusts, societies, and special purpose vehicles, wherever permitted by law. The policy covers term loans, working capital facilities, structured loans, loan against property, loan against securities, and other approved wholesale credit products. Retail and micro loans are outside the scope of this policy.

To reiterate the policy covers:

- Term Loans
- Working Capital Loans
- Structured / Secured Loans
- Loan Against Property (LAP)
- Loan Against Securities (LAS)
- Supply Chain / Dealer Finance (where applicable)

Retail loans and MSME micro loans are excluded from this Policy.

Regulatory and Legal Framework

The underwriting and credit appraisal process shall comply with the provisions of the RBI Act, 1934, RBI Master Directions applicable to NBFCs, Fair Practices Code, KYC/AML/CFT guidelines, Companies Act, 2013, and other applicable laws. Any amendments, clarifications, or circulars issued by the Reserve Bank of India from time to time shall automatically be deemed to form part of this policy.

Credit Philosophy and Risk Appetite

JKFPL follows a prudent and conservative credit philosophy, emphasizing secured lending, adequate risk coverage, and clearly identifiable repayment sources. Wholesale lending is guided by the Company's defined risk appetite, ensuring diversification across borrowers, sectors, and geographies. The Company avoids exposure to speculative activities, prohibited businesses, and sectors restricted by RBI or internal policies.

The Company ensures that its exposure to any single borrower or connected borrower group does not exceed 20% of its total Assets Under Management (AUM) at the time of sanction as well as during the currency of the loan. This internal exposure ceiling has been adopted as a prudent risk-management measure to prevent concentration risk and to promote portfolio diversification. The exposure includes all funded and non-funded facilities, including outstanding principal, accrued interest, guarantees, and any other credit commitments of the Company to the borrower or borrower group.

Sector-wise and product-wise exposure caps are also defined to ensure portfolio diversification and concentration risk management.

Credit Appraisal and Underwriting Process

Every wholesale loan proposal undergoes a structured appraisal process covering financial, operational, managerial, and industry-related risks. The appraisal includes an analysis of audited financial statements, cash flows, profitability, leverage, working capital cycle, and projected financial performance. Stress testing of cash flows and sensitivity analysis are also undertaken wherever applicable to assess repayment sustainability.

Assessment of Repayment Capacity

The Company undertakes a comprehensive assessment of the borrower's repayment capacity as a critical component of the credit appraisal process. The primary source of repayment is clearly identified and generally arises from the borrower's operating cash flows generated from business activities. Such cash flows are evaluated for stability, sustainability, and adequacy over the tenor of the proposed facility. The assessment includes a detailed analysis of historical and projected financial statements to determine the borrower's ability to meet repayment obligations in a timely manner.

Key debt service indicators, including the Debt Service Coverage Ratio (DSCR), Interest Coverage Ratio (ICR), and relevant leverage ratios, are computed and analyzed to assess the borrower's financial strength and debt servicing capacity. These ratios are evaluated against internally prescribed benchmarks and industry standards to ensure adequate coverage and acceptable risk levels. Sensitivity and stress analysis are also undertaken to evaluate the impact of adverse business or economic conditions on the borrower's repayment ability.

In addition to the primary source, the Company identifies and assesses secondary and contingent sources of repayment, such as collateral enforceability, liquidation value of securities, corporate or personal guarantees, and promoter support. These sources serve as risk mitigants in the event of cash flow disruptions or financial stress. The overall repayment assessment ensures that the loan is structured prudently, with appropriate tenure and repayment schedules aligned to the borrower's cash flow profile, thereby minimizing the risk of default.

Security and Collateral Framework

As a general principle, JKFPL extends wholesale credit facilities only against tangible, identifiable, and legally enforceable collateral in order to mitigate credit risk and safeguard its financial exposure. Acceptable forms of security may include immovable property, fixed deposits, marketable securities, receivables, and appropriate corporate or personal guarantees, depending on the nature of the facility and the borrower's risk profile. The quality, liquidity, and realizable value of the collateral shall be carefully assessed during the underwriting process.

Independent and professional valuation of collateral, particularly in the case of immovable property, is mandatory and shall be obtained from empanelled valuers. Adequate margins are stipulated and maintained throughout the tenure of the loan to account for market fluctuations and realization risk. Prior to disbursement, the Company ensures that all security interests are properly created, perfected, and legally validated, including completion of necessary documentation and registrations, so as to ensure enforceability of the security in the event of default.

Pricing and Commercial Terms

Loan pricing is risk-based and reflects the borrower's credit profile, collateral quality, tenure, and market conditions. Interest rates, processing fees, penal charges, and other costs are transparently disclosed to the borrower in accordance with the Fair Practices Code. Pricing decisions are approved by the competent authority within delegated limits.

Sanction and Approval Authority

Loan sanctions are approved strictly in accordance with the authority matrix approved by the Board of Directors. Sanction powers are distributed among the Credit Committee, the Board, depending on exposure size and risk profile. No individual exercises sanctioning powers beyond the limits assigned by the Board.

Documentation and Disbursement

Loan disbursement is carried out only after completion of all documentation, fulfilment of sanction conditions, and creation and perfection of security interests. All disbursements are made through banking channels, and end-use conditions are clearly stipulated and monitored.

Post-Disbursement Monitoring and Review

JKFPL carries out continuous and systematic monitoring of wholesale loan accounts to ensure adherence to sanctioned terms and to assess the ongoing financial health of the borrower. Such monitoring includes periodic review of financial statements, analysis of cash flows, submission and examination of stock, receivable, or other operational statements, and periodic updates of collateral valuation, wherever applicable. Site visits and interactions with the borrower may be conducted as deemed necessary to gain first-hand understanding of business operations and risk developments.

The Company has also established mechanisms to identify and track early warning signals (EWS) such as delays in repayments, deterioration in financial ratios, adverse credit bureau reports, or market and industry stress. Upon identification of potential stress, timely corrective actions are initiated, including enhanced monitoring, restructuring of repayment terms where permissible, or initiation of recovery measures, in order to minimize credit losses and preserve asset quality.

Exceptions and Deviations

Any deviation from this underwriting policy shall be permitted only under exceptional circumstances, supported by adequate justification and approved by the appropriate authority. All such deviations shall be reported to the Board or the Risk Management Committee on a periodic basis.

Policy Review Cycle:

This Policy is to be reviewed annually, or earlier if necessitated by regulatory changes or business priorities, and any amendments will be placed before the Board for approval.