
CREDIT OR INVESTMENT CONCENTRATION POLICY

GLOSEC FINANCE PRIVATE LIMITED

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Introduction

Glosec Finance Private Limited is a non-Deposit taking, Non-Banking Finance Company originally incorporated with the name Midland Motor Finance Co. Private Limited on 25/11/1971. Further, the name was changed to **Glosec Finance Private Limited** on 09/06/2020 till present. The company is involved in making inter corporate deposits and retail personal loans.

Applicability And Validity Of Policy:

This policy applies to:

- All **credit decisions** (origination, renewal, restructuring) and **investment decisions** (including ICDs) of Glosec Finance Private Limited.
- All **Board members, Management Committee, Risk Management Committee (RMC)**, and business units involved in lending or investing.

Scope of activities:

- Granting **secured and unsecured personal loans to retail individuals** (including top-up loans, if any).
- Accepting **public deposits** (if applicable) and extending **Inter-Corporate Deposits (ICDs)** to other companies, subject to RBI deployment-limits and prudential norms.

Definitions:

- Board” means Board of Directors of the Company.
- “Company/ *Glosec Finance Private Limited /GFPL*” means *Glosec Finance Private Limited*
- "Directors” mean Directors on the Board of the Company.
- “Policy” means Credit or investment Concentration Policy
- “RBI” means Reserve Bank of India

Objective Of Policy:

- The objective of this Investment and Credit Policy is to ensure that the Company’s lending and investment activities are conducted within the regulatory parameters set by the **Reserve Bank of**

India (RBI) for Non-Banking Financial Companies (NBFCs).

- Ensure compliance with:
 - RBI Master Direction on NBFCs (Scale-Based Regulation – 2023 framework, as amended).
 - RBI directions on credit-risk management and related-party lending (2026 amendments).
 - Concentration-risk, liquidity-risk, and governance norms applicable to **Base-Layer NBFCs**.
- Define prudent underwriting, pricing, and monitoring standards for personal loans to retail borrowers and investments in Inter-Corporate Deposits (ICDs).
- Ensure Board-oversight, risk-based limits, and transparent disclosure of risk indicators and policies.

1. Portfolio Composition and Alignment

- **Core Business Alignment:** The Company shall prioritize its credit portfolio toward **Hire Purchase** and **Lease Financing** of motor vehicles, industrial machinery, and household equipment as authorized by its Memorandum of Association.
- **Asset Classification:** In accordance with RBI Master Directions, the Company will maintain a strategic balance between its core financing assets and its investment portfolio to ensure optimal capital adequacy.
- **Diversified Lending:** While the Company is empowered to lend with or without security, the credit mix will be managed to ensure that high-value exposures (such as land development or housing schemes) are balanced against smaller ticket retail loans.

2. Credit Concentration and Risk Norms

- **Compliance with Concentration Norms:** The Company shall adhere to the **Credit Concentration Norms** as prescribed by the RBI for its category of NBFC. This ensures that exposure to any single borrower or group of borrowers remains within the regulated percentage of its **Owned Funds**.
- **Qualifying vs. Non-Qualifying Assets:** The Company will monitor its "Qualifying Assets" (assets related to its primary financing business) to ensure they meet the minimum regulatory thresholds. Any portfolio segment not falling under primary regulatory exemptions will be strictly governed by standard credit concentration and risk-weighting norms.
- **Security and Foreclosure:** To mitigate risk, the Company will exercise its right to **hypothecate, pledge, or mortgage** assets and, where necessary, invoke **foreclosure** proceedings to realize securities and protect the company's capital.

Applicable Guidelines:

- Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and amendments thereafter.
- The Companies Act, 2013 and amendments thereof along with applicable Rules

Board-Level Governance And Roles

Board responsibilities (as per RBI Master Direction – Base Layer):

- Approve and periodically review this **Investment and Credit Policy**, including concentration-risk limits, sectoral limits, and related-party lending norms.
- Fix:
 - **Single borrower / group exposure limits** (in line with RBI concentration-risk norms).
 - Caps on **unsecured personal loans** and **consumer credit exposures**.
- Approve any **material deviation** from the policy and ensure corrective action.

Credit Policy – Personal Loans

1. Product definition and eligibility

- **Product:** Retail personal loans (salaries, self-employed, pensioners, etc.) and such variants as may be approved by the Board.
- **Eligibility criteria:**
 - Age, minimum income, debt-to-income (DTI), existing credit exposure, and investigative checks (ID, address, income proof, CIBIL/credit bureau report).
 - For **unsecured loans**, follow stricter limits as required under RBI's **unsecured consumer credit guidelines**.

2. Underwriting standards

- Adopt **risk-based pricing** aligned with:
 - Credit bureau score, repayment history, income stability, and debt-burden.
- Maintain:
 - **KYC / AML / CDD** checks as per RBI Master Direction on KYC.
 - Periodic **valuation of any collateral** (if taken), even if top-up loans on depreciating assets such as vehicles are treated as **unsecured** for prudential limits.

3. Limits and concentration

- **Single borrower / group limits** (personal-loan segment):

- Ensure exposures to any **single borrower** or **group of related borrowers** do not breach the **aggregate concentration-risk limits** prescribed by RBI for Base-Layer NBFCs.
- **Unsecured consumer credit:**
 - Board-approved **sub-limits** for:
 - Unsecured personal loans.
 - Top-up loans against movable assets (e.g., vehicles) treated as unsecured.
 - Aggregate unsecured consumer credit to be **monitored and capped** by RMC.

Pricing And Covenants

- **Pricing:**
 - Transparent **interest rate** and **processing fee** structure, disclosed in the loan agreement.
 - No interest-rate caps in securitization or loan-transfer context (per RBI's 2025/26 amendments), but pricing must remain fair and non-predatory.
- **Covenants:**
 - Regular reporting of borrower financials (if applicable).
 - Restrictive covenants in case of **material deterioration** (increase in DPD, default, or restructuring).

Restructuring And Relief

- Any **COVID-like or trade-disruption relief** or restructuring must follow:
 - A **publicly disclosed Board-approved policy**.
 - Minimum provisioning norms where relief is granted (e.g., enhanced general provision for standard accounts in default).
- Relief granted only to **eligible borrowers** and reported to RBI through the prescribed portal (e.g., DAKSH) as per RBI directions.

Investment Policy – ICDS And Other Investments

Overall investment framework

- Investments shall be:
 - Consistent with **liquidity, safety, and yield** objectives.
 - In **permitted instruments** as per RBI Master Direction (government securities, rated corporate bonds, debentures, and ICDs within asset-class limits).
- **Public funds deployment** (if your NBFC accepts public funds) to follow:

- RBI's mandated limits on **loan / investment deployment** (e.g., percentages deployable in loans vs investments).

Inter-Corporate Deposits (ICDS)

- **Eligible counterparties:**
 - Companies with:
 - Strong credit rating or reliable internal rating.
 - No adverse regulatory or litigation history.
- **Limits:**
 - During **any accounting period**, exposures to:
 - A **single corporate** – within the **single-borrower / party limit** prescribed by RBI for Base-Layer NBFCs.
 - **Group of related corporates** – within the **group-exposure limit**.
 - **Tenor:** Preferably aligned with RBI-prescribed maximum tenors for ICDs and related-party exposures (as amended in 2025/26).

Credit-Risk And Rating Approach

- Use:
 - **External credit ratings** (where available) and
 - **Internal credit scoring** for unrated entities.
- Maintain:
 - A **watch-list** of ICD counterparties and **review** their ratings periodically.
- If any ICD exposure deteriorates, review and consider:
 - Downgrading category, enhancing provisioning, or restructuring.

Liquidity And Diversification

- Maintain:
 - Adequate **liquidity buffer** in the form of short-term, readily marketable securities to meet:
 - ICD redemptions.
 - Loan repayments (deposit-related, if any).
- Diversify:
 - Across **industry sectors, tenors, and types of securities** to mitigate concentration risk.

Related-Party Lending And Transactions

(Aligned with RBI NBFC Credit Risk Management Amendment Directions, 2026)

Definitions and identification

- Adopt RBI's definitions of:
 - **Related parties, related persons, control, promoters, and key managerial personnel (KMP)** as per the Companies Act and IBC framework.
- Maintain a **register of related parties** and update it at least annually.

Limits and approvals

- **Materiality thresholds:**
 - For **Base-Layer NBFCs**, use the thresholds prescribed by RBI (e.g., ₹1 crore per borrower / related party for certain categories, subject to latest amendments).

Approvals:

- Loans / ICDs to related parties above materiality thresholds:
 - Require Board approval (with recusal of interested directors, KMPs, and specified employees).
- Aggregate exposure to related parties to be within Board-approved limits and reviewed quarterly.

Information And Disclosure

- Disclose In:
 - Board reports and annual financial statements:
 - Nature and amount of related-party transactions and ICDs.

Anti-Circumvention And Monitoring

- Implement controls to prevent:
 - Splitting of loans / ICDs to evade concentration or materiality limits.
- Ensure whistle-blower mechanisms and internal audit testing of related-party lending.

Risk Measurement, Monitoring, And Reporting

Key risk indicators (KRIs)

- Maintain Board-approved KRIs for:
 - Credit risk:
 - NPA ratio, SMA-1/SMA-2 ratios, delinquency buckets (e.g., 30-, 90-, 180-day DPD).
 - Provision coverage ratio.
 - Investment risk:
 - ICD-portfolio quality, rating migration, yield vs risk.
 - Concentration risk:
 - Single-borrower / group, sectoral, and unsecured-loan concentrations.

Reporting and reviews

- Internal reports:
 - To RMC and Board:
 - Monthly/quarterly portfolio-quality reports.
 - Exceptions and breaches of policy limits.
- Regulatory reporting:
 - Timely submission of:
 - RBI returns on asset-quality, NPA, restructuring, and related-party exposures as per latest Master Directions.

Policy review and amendments

- The Board shall review this Investment and Credit Policy at least annually or when:
 - There are material changes in RBI regulations (including 2025/2026 amendments).
 - There are significant changes in business model, asset size, or risk profile.
- Any amendment must be:
 - Presented to the Board for approval.
 - Communicated to all relevant departments and documented in the policy register.

ANNEX

LOANS TO DIRECTORS, SENIOR OFFICERS AND RELATIVES OF DIRECTORS

	(Rs in Crore)	
	Current Year	Previous Year
Directors and their relatives		
Entities associated with directors and their relatives		
Senior Officers and their relatives		

Apart from above at time of giving loans/ advances to Director, the Company is required to follow guidelines as provided in section 185 of the Companies Act, 2013. Guidelines are as follows:

- 1) The Company shall not, directly or indirectly, advance any loan, including any loan represented by a book debt to, or give any guarantee or provide any security in connection with any loan taken by,—
 - a) any director of company, or of a company which is its holding company or any partner or relative of any such director; or
 - b) any firm in which any such director or relative is a partner.
- 2) A company may advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loan taken by any person in whom any of the director of the company is interested, subject to the condition that—
 - a) a special resolution is passed by the company in general meeting:
Provided that the explanatory statement to the notice for the relevant general meeting shall disclose the full particulars of the loans given, or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security and any other relevant fact; and
 - b) the loans are utilized by the borrowing company for its principal business activities.

Explanation-For the purposes of this sub-section, the expression “any person in whom any of the director of the company is interested” means—:

- (i) any private company of which any such director is a director or member;
- (ii) anybody at a general meeting of which not less than twenty-five per cent. of the total voting power may be exercised or controlled by any such director, or by two or more such Directors, together; or
- (iii) anybody corporate, the Board of Directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the Board, or of any director or Directors, of the lending company.

Nothing contained in sub-sections (1) and (2) shall apply to—

- a. the giving of any loan to a managing or whole-time director—
 - as a part of the conditions of service extended by the company to all its employees; or
 - pursuant to any scheme approved by the members by a special resolution; or
- b. a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the rate of prevailing yield of one year, three years, five years or ten years

- Government security closest to the tenor of the loan; or
- c. any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company; or
 - d. any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company:

Provided that the loans made under clauses (c) and (d) are utilized by the subsidiary company for its principal business activities.