Credit Policy of R2P Capital Private Limited (NBFC)

Introduction & Regulatory Framework

R2P Capital **Private Limited** (hereinafter referred to as the "R2P Capital") is a Non-Banking Financial Company (NBFC) operating under the Reserve Bank of India's **Scale Based Regulation (SBR) Directions, 2023**. This Credit Policy outlines the lending norms and borrower eligibility criteria in compliance with RBI's prudential framework. The policy aligns with the SBR Master Directions which consolidate earlier NBFC regulations into a comprehensive set of norms. R2P Capital will adhere to all applicable prudential guidelines on capital adequacy, asset classification, provisioning, and fair practices as mandated by RBI. In particular, the company will follow RBI's norms on income recognition and asset classification (IRAC) – for instance, loans overdue beyond 90 days will be classified as Non-Performing Assets (NPAs) in line with the phased timeline for NBFCs. The Board of the company approves this Credit Policy and will review it at least annually, ensuring updates for any regulatory changes. All lending operations, from due diligence to recovery, will be conducted in the spirit of RBI's guidelines to maintain financial stability and borrower protection.

Target Borrower Segment

Primary Segment: R2P Capital will primarily lend to **corporate borrowers**, with a focus on companies within the promoter's group or other **related party** entities. These borrowers may include sister concerns, subsidiaries, or affiliates of the NBFC's parent group, as well as other corporates that meet our risk criteria. Despite the close connections in some cases, all related-party lending will be strictly at **arm's length** – i.e. on commercially reasonable terms without favouritism – to avoid any conflict of interest or governance issues. The NBFC is mindful of RBI's rules on **Related Party Transactions (RPTs)** and will maintain full transparency for such dealings. In accordance with RBI's SBR Directions, a Board-approved **policy on related party transactions** has been put in place and will be disclosed on the company's website and Annual Report. Details of all material transactions with related parties will likewise be disclosed in financial statements as required.

Exclusions: The company's focus on corporate/wholesale lending means that **retail loans** (such as personal loans, consumer finance, etc.) are not within the target segment at present. Currently its clientele is expected to be business entities. R2P Capital will engage in lending to individuals or small personal loans later. The NBFC will also avoid lending to any entities or for any purposes prohibited by regulators – for example, the company will not finance illegal activities or extend credit against its own shares, etc., in line with RBI restrictions.

Related Party Lending Safeguards: Given the involvement with group companies and related entities, R2P Capital will implement additional safeguards as per regulatory expectations. The Board of Directors (or a designated **Committee on Related Party Lending**) will exercise oversight on all credit facilities to related parties. The Credit Policy explicitly incorporates the norms from RBI's draft *Lending to Related Parties Directions* (effective April 2026) to ensure future compliance: for instance, **materiality thresholds** are set such that any loan above ₹1 crore (for a Base Layer NBFC) to a related party must receive prior sanction from the Board or its committee. Loans below this threshold may be approved by management under delegated authority, but with reporting to the Board. **Aggregate exposure limits** to related parties (single and group) will be defined – e.g. not exceeding a certain percentage of the NBFC's capital funds – to ensure prudence and diversification. R2P Capital will **not engage in quid pro quo lending** arrangements (reciprocal lending deals with other group entities or lenders) as these are prohibited by RBI's prudential norms. Any Director or Key Managerial Person with an interest in a related borrower will **recuse** themselves entirely from the credit approval process for that exposure, to maintain objectivity. All such related-party loans will be reported and disclosed in accordance with RBI requirements (including semi-annual reporting to RBI, and disclosure of total related party exposure and NPAs in financial statements). This framework ensures that while the NBFC serves group entities, it does so responsibly, with proper risk assessment and regulatory compliance.

Loan Types Offered

R2P Capital will offer **Business Loans** tailored to meet the financing needs of corporate borrowers. The credit facilities provided may take several forms, including:

- **Term Loans:** Medium to long-term loans for capital expenditure, expansion projects, or other business investments. These are structured with a fixed tenure and repayment schedule.
- **Working Capital Loans:** Short-term loans or revolving credit lines to support operational funding needs (e.g. inventory purchase, receivables financing). This can include overdraft facilities or invoice financing as needed.
- **Bridge Financing:** Short-tenure loans to bridge temporary liquidity gaps or interim financing requirements for corporates (often repaid by a subsequent longer-term funding or event).

All loans are extended for **business purposes only**, and the end-use of funds must be clearly specified by the borrower. The company does **not** presently engage in consumer finance products (such as housing loans, vehicle loans, personal loans, etc.), focusing instead on corporate credit. Each loan agreement will include covenants ensuring that funds are utilized for the stated purpose; diversion of loan proceeds for unrelated or speculative purposes (such as investment in stock markets, purchase of land for non-business use, etc.) is not permitted. If any specialized loan product is introduced in future, it will be consistent with the NBFC's overall risk appetite and regulatory permissions.

Security / Collateral Policy

R2P Capital's lending will be predominantly **Unsecured** in nature. This means the NBFC will *not* generally insist on tangible collateral security for the loans. The creditworthiness and cash flows of the borrower are the primary basis for lending decisions, rather than physical collateral. Key points of the security policy:

- **No Tangible Collateral:** The standard offering is unsecured loans – borrowers are not required to mortgage assets or provide inventory/receivables as security. This approach provides flexibility and quicker funding to borrowers, but also demands stronger credit appraisal (as outlined in our underwriting norms below).
- **Alternate Security/Comfort:** While no fixed assets are taken as security, the NBFC may consider other forms of comfort on a case-by-case basis to mitigate risk. For example, **personal guarantees** from promoters/directors, or corporate guarantees from a strong group company, may be obtained especially when lending to smaller group entities. Such guarantees are intended to reinforce the borrower's commitment and provide recourse in case of default, even though the loans remain essentially unsecured.
- **Loan Documentation:** Regardless of lack of collateral, every loan will be backed by a **legally enforceable loan agreement** and supporting documents. This includes a promissory note, board resolution from the borrowing company authorizing the loan, and any guarantee deeds. The documentation will give R2P Capital the right to enforce repayment through legal channels in the event of non-payment.
- **No Security, Higher Scrutiny:** Because the loans do not have collateral, R2P Capital imposes **stricter eligibility and monitoring** (e.g., stronger financial requirements, continuous monitoring of borrower financial health) to manage credit risk. The unsecured nature also influences the interest rate (a risk premium is applied to price for the higher risk). The NBFC will ensure it remains compliant with RBI's rules on unsecured lending – for instance, not

exceeding any regulatory caps on unsecured exposures, and maintaining adequate capital buffers.

In summary, all loans are unsecured, but backed by the credit standing of the borrower and contractual agreements. This policy provides agility in lending, while relying on robust credit risk assessment and ongoing oversight to protect the NBFC's interests.

Geographical Focus

Operational Geography: R2P Capital will conduct lending operations **across India**. The NBFC's target market is national in scope, meaning it can serve eligible corporate borrowers in any state or region of India. There is no narrow geographic restriction in the company's mandate; wherever the NBFC is legally permitted to operate and finds creditworthy corporate clients, it may extend loans. Initially, the focus may be on regions where the parent group or promoter has a presence, but expansion will follow opportunities within the country.

All lending will comply with Indian laws and RBI regulations. R2P Capital will not extend credit outside of India's jurisdiction. The company does not engage in foreign operations or cross-border lending under its current license. Borrowers must be entities incorporated/registered in India (or in case of any individual co-borrowers/guarantors, they must be Indian residents) so that they fall under the purview of Indian regulations and legal system.

The NBFC will maintain the required state-wise registrations or filings (if any) for operating in different parts of India. It will also adhere to local laws (such as state-specific stamp duty laws on loan documents) as applicable. As the business grows, R2P Capital may open branch offices or liaison locations in key cities to cater to clients, subject to RBI's branch expansion guidelines for NBFCs. However, even without physical branches everywhere, the NBFC can use digital means and partnerships to serve clients pan-India.

Note: Although nationwide, the portfolio's concentration will be monitored by geography to manage any region-specific risks. If exposure in any single state or area becomes very high, the management will evaluate diversification strategies. Likewise, any region with economic stress will prompt a review of exposures in that area as part of risk management.

Borrower Eligibility Criteria

To be considered for a loan from R2P Capital, a prospective borrower must meet **minimum eligibility criteria**. These criteria ensure that the NBFC lends to creditworthy and compliant entities, thereby safeguarding its portfolio quality. Key eligibility requirements include:

- **Legal Entity and Age:** The borrower should be a **registered corporate entity** in India. This could be a private or public limited company, LLP, or any other business organization permissible for NBFC lending. The entity should have completed at least **2 years** of operations (time since incorporation) to establish some track record. Start-ups or very new companies may be considered only if backed by strong parent guarantees or if they meet exceptional risk standards.

- **KYC & Compliance:** Borrowers must comply with all **Know Your Customer (KYC)** and Anti-Money Laundering (AML) requirements as per RBI guidelines. They must provide the necessary identification and business documentation: e.g. Certificate of Incorporation, PAN card, GST registration, address proof, corporate KYC documents, and KYC documents for promoters/authorized signatories. No loan will be granted without full KYC verification of the borrower and its beneficial owners. R2P Capital strictly adheres to RBI's Master Direction on KYC and the **Prevention of Money Laundering Act, 2002** provisions. Adequate due diligence will be carried out on each customer before extending any loan. This includes screening against sanctioned lists and negative databases as mandated (e.g., the UNSC sanctions list, RBI defaulters list, etc.). Borrowers engaged in high-risk activities (per AML norms) will undergo enhanced due diligence.

- **Credit History:** The credit history and repayment record of the borrower (and its group, if applicable) should be satisfactory. R2P Capital will review the borrower's records in credit bureaus (such as CIBIL, Experian, etc.) and any available credit ratings. **For corporate borrowers**, any existing credit rating (external) should be at least **BBB** or better, if such ratings are available. If the borrower has past or current loans, their **CIBIL score** or equivalent (for business entities, a commercial credit score) should reflect **no recent defaults**. As a guideline, an individual promoter's CIBIL score (if assessed) should be above **700. No wilful defaulters**: the company will not lend to any entity (or promoters of entity) classified by RBI or banks as *wilful defaulters* or *fraudulent borrowers*. Similarly, if the borrower has accounts that have been NPA in the recent past, or has faced legal recovery actions, those will be scrutinized heavily and likely disqualify the applicant.

- **Financial Strength:** The borrower must demonstrate sufficient financial strength to repay the loan. **Minimum income/turnover:** ₹10 Crores or minimum **EBITDA margin of 10%.** If the borrower is an SPV, the parent company/guarantor must possess a Net Worth at least 2x the loan amount requested. **Leverage:** The borrower's existing leverage (debt-to-equity ratio) should be within acceptable limits (not more than 3:1) to avoid over-indebtedness. Financial statements for the past 2 years (audited) must be provided to evaluate profitability, cash flows, and debt levels. R2P Capital will analyse ratios like DSCR (Debt Service Coverage Ratio), current ratio (for working capital), etc., and each must meet internal minima (to be defined in the credit appraisal template).

- **Management and Governance:** The background of the borrower's promoters and directors will be reviewed. The key persons should have a good reputation and relevant experience in their industry. Any history of dishonesty, litigation, or criminal proceedings against key management is a red flag. Borrowers should have proper governance and accounting practices. For group entities, the corporate structure must be transparent and compliant with the Companies Act (e.g., proper board resolutions for borrowing).

- **Industry and Purpose Fit:** The borrower should ideally belong to industries/sectors that are within the NBFC's acceptable risk appetite. If the company has any **sectoral exposure limits** or negative sectors defined (e.g., not financing speculative real estate or volatile sectors), those will be applied. The purpose of the loan should be a productive business use – purely financial transactions lacking economic substance will not qualify. R2P Capital may require evidence of project viability or business plans for larger loans.

- **Collateral/Guarantee (if required):** While loans are unsecured, if the internal credit guidelines require a personal guarantee from promoters (for closely held companies) or a letter of comfort from a parent company for related party borrowers, the borrower must be willing to provide the same. This is especially expected if the borrower's own financials are modest but a stronger group entity can support.

- **Regulatory Compliance:** The borrower must not be in violation of any major law or regulation. For example, if a regulatory authority has barred the company from certain activities or if it lacks required licenses for its business, the NBFC will not lend to such a borrower. All requisite approvals for the borrower's project (if loan is project-specific) should be in place or in progress.

- **Documentation & KYC Checks:** All applications must be accompanied by complete documentation. This includes KYC documents mentioned, financial statements, tax returns, bank account statements, details of existing loans, shareholding pattern, etc. The NBFC will verify these documents for authenticity. Physical site visits or office visits may be conducted for due diligence, especially for new clients, to verify the business premises and operations.

Note: The above criteria serve as a baseline. Meeting them does not guarantee loan approval – each proposal is subject to detailed credit appraisal. Conversely, minor deviations might be allowed in exceptional cases (with higher approvals) if strong compensating factors exist. R2P Capital maintains the right to refuse a loan even if basic criteria are met, in case the qualitative assessment is not comfortable.

Loan Limits and Terms (Amount, Tenure, Rates)

To maintain prudent exposure and serve borrowers effectively, R2P Capital sets the following guidelines for loan size, duration, and pricing:

- **Loan Amount Range:** The indicative minimum loan amount is **₹1,00,000**, and the indicative maximum exposure to a single borrower is **₹5,00,00,000**. R2P Capital will internally cap single-borrower exposures at **15%** and single-group exposures at **25%** of its net owned funds. The loan amount finally approved will depend on the borrower's requirement, repayment capacity, and the NBFC's risk assessment.

- **Tenure of Loans:** R2P Capital will offer **short to medium-term loans**. The typical loan **tenure** will range from **6 months** up to **36 months** for working capital or general corporate purposes. In some cases, longer tenures (up to 5 years or more) might be considered for specific term loans/project loans, depending on the borrower's needs and cash flow profile. The tenure is decided such that it aligns with the purpose of loan and the borrower's ability to repay. Short-term loans (under 1 year) might be structured as bridge finance or revolving facilities with review/renewal each year. Longer tenures (beyond 1 year) will usually have instalment repayments. **Bullet repayment** loans (full amount due at maturity) may be given only for very short tenures or specific bridge financing cases, subject to stringent risk review.

- **Repayment Terms:** Repayment can be structured as **monthly** or **quarterly instalments** (EMIs or structured instalments), or in certain cases **balloon/bullet payments** as noted. The policy generally prefers periodic amortizing payments for term loans to ensure regular cash flow and reduce risk. A moratorium on principal (grace period) may be allowed at the start of the loan only if justified (e.g., project implementation period), and typically not exceeding 3 months. Interest is usually payable monthly. The exact repayment schedule will be detailed in the sanction letter and loan agreement. Prepayments are allowed **without heavy penalty** (prepayment charges, if any, 1% of amount prepaid may be levied to cover break costs, but as per RBI's guidelines, no foreclosure charges will be applicable on floating rate loans to individual borrowers – though our borrowers are corporates, we will follow fair practice in this regard).

- **Interest Rate Policy:** The **interest rate** on loans will be determined according to a Board-approved **Interest Rate Model**. As mandated by RBI, the Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as **cost of funds, operating costs, risk premium, and a reasonable profit margin**. R2P Capital's interest rates are thus **risk-based** – higher-risk loans or smaller-ticket unsecured loans may attract a higher rate, while lower-risk or strategic deals may get a comparatively lower rate. The NBFC will set an **interest rate range 12% p.a. to 25% p.a.** for its products, which may be revised from time to time based on market rates (cost of borrowing for the NBFC) and competition. The **exact rate for each loan** is decided during credit appraisal, factoring in the borrower's credit strength, tenure of loan (longer loans may carry higher rates for uncertainty), and collateral/guarantee (not typical here). All interest rates will be **per annum** and typically payable monthly. In line with

RBI's Fair Practices Code, the approach for risk gradation and reasons for charging a given interest rate to the borrower will be clearly communicated. The **rate of interest and other charges** will be disclosed upfront in the loan application form and explicitly stated in the **sanction letter** to the borrower. Any change in rates (if floating/variable rate structure) will be communicated in advance and shall follow the terms agreed.

- **Other Charges:** Apart from interest, the NBFC may levy certain fees to cover administrative costs. These include **processing fee 2%** of the loan amount, one-time, documentation charges, etc., as per the approved schedule of charges. All such fees will be transparently mentioned to the borrower before sanction. There are **no hidden charges**. In case of late payment or default, **penal interest** may be charged on overdue amounts additional **3% p.a.** over the normal rate, for the period of delay as a deterrent. This too will be as per contract terms and within RBI's guidelines on penal interest (not exorbitant or usurious).
- **Review/Renewal:** For facilities like working capital lines, which are sanctioned for a year, an annual review is required for renewal. The terms (interest, limit) may be reset based on performance. The credit policy allows flexibility to revise interest rates for existing customers if their risk profile changes (with proper notice and borrower consent where needed).

Overall, the loan limits and terms are structured to balance the borrower's requirements with the NBFC's risk management. By setting clear boundaries on amount, tenure, and pricing, R2P Capital can maintain consistency and fairness across its lending portfolio.

Credit Appraisal and Lending Norms

Every loan proposal undergoes a rigorous **credit appraisal process** to ensure that it meets R2P Capital's risk standards and complies with regulatory norms. The following are the core lending norms and procedures for underwriting loans:

- **Application and Initial Screening:** Prospective borrowers will submit a loan application along with required documents. The credit team will perform an initial screening to check basic eligibility (as per criteria above) and evaluate the purpose of the loan. Any proposal that is clearly misaligned (e.g., falls outside target segment or policy norms) will be filtered out at this stage. For qualifying proposals, a dedicated credit analyst/officer is assigned.
- **Due Diligence and Financial Analysis:** R2P Capital will conduct thorough **due diligence** on each borrower. This includes analysis of financial statements (balance sheet, P&L, cash flows), banking habits (bank account statements), existing debt profile, and cash flow projections to assess repayment capacity. Key financial ratios and metrics are computed and compared against benchmarks. Additionally, qualitative factors such as the borrower's business model, industry outlook, management quality, and group support (if any) are evaluated. The credit team may also do site visits to the borrower's business location to verify operations and meet management. For group entities, intra-group dependencies or exposures are examined to gauge any contagion risk. The NBFC will ensure **adequate steps are taken so that KYC/AML guidelines are fully complied with and sufficient due diligence is carried out on the customer before sanctioning any loan**. If needed, external opinions (like chartered accountant reports, valuation reports, or credit rating agency reports) may be sought to support the analysis.
- **Credit Scoring/Rating:** Internally, the NBFC may use a **credit scoring model** or grading system to quantify the risk of each proposal. Factors such as financial strength, management quality, industry risk, collateral/guarantees (if any), and loan structure are considered. Each borrower might be assigned an internal **credit rating**. Only those falling within an acceptable risk grade (as defined by the Board's risk appetite) will proceed to approval. Higher-risk cases might be rejected or asked for risk mitigants (e.g., guarantee or higher pricing).

- **Approval Authority & Process:** R2P Capital will have a tiered approval matrix based on loan amount and risk category. For example, smaller loans up to a certain limit can be approved by board constituted committee, while larger exposures require board constituted committee plus **Board approval**. In line with related-party guidelines, any loan to a **related party** above the material threshold (₹1 crore for base layer NBFC) must be approved by the Board of Directors or a Board-level committee. Even below that threshold, all related party loans will be reported to the Board periodically. The approval process generally involves preparing a **Credit Appraisal Memo** highlighting all aspects of the proposal, which is then reviewed by the committee. Decisions are made collectively and recorded (approve/reject/defer or ask for more information). **Directors or committee members with any interest in the proposal (e.g., the borrower is a group company) will not take part in the approval deliberations to ensure unbiased decisions.** The NBFC's credit policy explicitly includes rules for lending to directors, senior officers or their relatives – any such insider lending, if ever proposed, must be on strictly arms-length terms and approved by the Board with the concerned individual recusing.

- **Sanction Conditions:** If a loan is approved, it may come with certain **conditions precedent** and covenants. Common conditions precedent include: no material adverse change in borrower's financials before disbursement, borrower to furnish final documents (e.g. original signed agreements, NOCs from existing lenders if needed), and any specific approvals (like shareholder resolution or statutory approval if required for borrowing). Covenants during the loan may include: maintaining a minimum net worth, not incurring additional debt beyond a point without consent, submitting quarterly financial statements to the NBFC, etc. For related party borrowers, there could be conditions ensuring transaction is at market terms (e.g., interest rate not lower than what an external borrower of similar profile would get). These conditions are aimed at monitoring and protecting the NBFC's position throughout the loan tenure.

- **Documentation & Disbursement:** Once sanctioned, the loan moves to execution of **legal documents**. R2P Capital will use standardized loan agreements vetted by legal counsel, which contain all terms and remedies. For corporate borrowers, a **Board Resolution** authorizing borrowing and execution of documents is obtained. Personal guarantee documents (if any) are executed simultaneously. All security or support documents (though loans are unsecured, any guarantee or post-dated cheques, etc., are collected) are perfected. **No loan is disbursed until KYC verification is complete and all required documents are duly executed.** Upon documentation, the disbursement is processed as per the borrower's needs (lump-sum or in tranches). The disbursement account and mode are documented to ensure funds go to the proper use (e.g., directly to vendor in case the loan was for equipment purchase, or to the borrower's main operating account). The NBFC keeps a copy of all documents and maintains a document register.

- **Interest Rate and Pricing:** As described, the interest rate is set based on the Board-approved model considering risk factors. The sanction letter will clearly mention the **annualized interest rate**, whether it's fixed or floating, and any reset conditions. It will also mention other charges (processing fee, etc.) and the APR if required for transparency. The NBFC does not typically levy excessive interest; it operates within reasonable market rates and follows RBI's direction to avoid usurious rates. There is internal oversight to ensure that the pricing of each loan is justified by its risk grading (this is reviewed in credit committee minutes). Any **deviations** (like offering a rate lower than model suggests, perhaps for a strategic client) must be approved at a higher level and documented.

- **Fair Practices & Customer Communication:** Throughout the lending process, R2P Capital adheres to the **Fair Practices Code (FPC)** prescribed by RBI. This means borrowers are treated fairly, all terms are disclosed, and there is no coercive practice. The sanction letter includes a clear acceptance from the borrower, and a copy is provided to them. Rejection of loan applications, if any, will be communicated with reason. All marketing and loan terms representations will be factual and not misleading. The NBFC has a **grievance redressal mechanism** in place (contact details of nodal officer are provided to borrowers) for any complaints. The staff are trained to maintain confidentiality of customer data and to be courteous in all dealings.

- **Special Cases – Related Party Transactions:** If the borrower is a related party (as defined by applicable accounting standards and RBI guidelines), additional norms apply. As stated, **Committee review** is required. Also, such loans must be reported in a specific format in the Notes to Accounts of financial statements, disclosing the amounts, outstanding, and any NPAs among them. The terms of related party loans should not be more favourable than those for comparable non-related borrowers; this is monitored by the Risk Manager/Compliance. The NBFC's policy on related lending includes a **whistle-blower mechanism** – if any staff suspects a compromise in credit standards due to influence, they can report it anonymously. Strict action will be taken if any quid pro quo or circumventing of norms is detected in related party dealings.
- **Co-lending or Consortium:** At present, R2P Capital's policy does not include co-lending with banks or other NBFCs, but if such cases arise, they will follow RBI's co-lending framework and this credit policy's principles. Each partner's roles and credit share will be clearly defined, and the borrower's sanction terms will reflect combined terms. Our credit norms will still apply to our portion of the exposure.

In essence, the lending norms ensure that every loan is thoroughly evaluated on merits, approved by the right authority, priced appropriately, and documented securely. The process from application to disbursement is designed to uphold credit discipline and compliance at all steps.

Loan Monitoring and Recovery Process

Once a loan is disbursed, R2P Capital undertakes continuous **monitoring** to safeguard asset quality and detect early signs of stress. Additionally, robust recovery practices (aligned with regulatory guidelines) are in place to address delinquent accounts. The key elements of monitoring and recovery are:

- **Periodic Monitoring:** The credit and risk team will monitor the performance of each borrower through **regular account reviews**. This includes tracking timely payment of interest and instalments. Borrowers may be required to submit periodic financial information (e.g., quarterly sales figures, bank statements, stock and debtor statements for working capital loans). For large exposures, the NBFC may also track news and market developments concerning the borrower's industry or group. Any covenants (such as financial ratios) are checked at defined intervals. In case of any **related party borrowers**, their financial linkages to the group are reviewed to ensure no systemic issues are arising.
- **Early Warning Signals:** R2P Capital employs an early warning system to identify accounts that show potential signs of stress. For example, delays in submitting financials, bouncing of cheque/ACH payments, requests for extension, or a deterioration in the borrower's financial results can all be warning signals. If a borrower's rating is downgraded externally or their CIBIL shows new delinquency, it flags internally. Upon noticing such signals, the NBFC will escalate the case for closer watch. This could involve more frequent follow-ups with the borrower, asking for explanations, or even a meeting/visit to understand issues. The goal is to **engage proactively** with the client to resolve minor issues before they become major.
- **Delinquency Management:** If a borrower misses a payment due date, the account is tagged as a **delinquency** and immediately followed up. The collections or credit team will contact the borrower to understand the reason and seek prompt rectification (payment). A structured

escalation matrix is followed – e.g., reminder call/email at 1-7 days overdue, senior management outreach if >30 days overdue, etc. Throughout this, the NBFC adheres to fair practice: no harassment or unethical collection tactics. All communications are documented. If an instalment remains unpaid for 30+ days, the account may be placed on a special watchlist. The company also classifies stress under the RBI's **SMAs (Special Mention Accounts)** categories (SMA-0/1/2 for 0–90-day delays) to systematically monitor them.

- **NPA Recognition:** In line with RBI's prudential norms, R2P Capital will classify an account as **Non-Performing Asset (NPA)** if interest or principal remains overdue beyond a certain period. For most loans, the NPA trigger is **90 days past due** (i.e., no payment for 90 days after due date). (For NBFCs in the Base Layer, RBI provided a glide path to move from 180 days to 90 days by March 2026; R2P Capital is complying with that schedule and will fully adopt the 90-day norm by the stipulated date.) Once an account is NPA, the accrual of interest is stopped (interest is no longer taken to income) and the NBFC will make provisions as required by RBI regulations (specific provisioning for NPAs, and general provisioning on standard assets as applicable). NPAs are reported to credit bureaus and in regulatory returns. The borrower is officially notified of NPA status and further steps.

- **Restructuring and Resolution:** If a borrower is facing genuine financial difficulty, R2P Capital may evaluate **restructuring** the loan under the **Prudential Framework for Resolution of Stressed Assets (June 7, 2019)** or any updated RBI guidelines. (For NBFCs above a certain size, compliance with this framework is mandatory; even if not mandatory for R2P due to size, the NBFC intends to follow the spirit of these norms to resolve stress in a timely manner.) Possible resolution plans include granting a temporary moratorium, extending the loan tenure, changing repayment schedule, or in some cases converting a part of debt to equity (with promoter's agreement) – all subject to Board approval and RBI norms. Any restructuring will be done only if it improves the likelihood of full recovery and is viable for the business. Such accounts would be classified as "restructured" and reported as per RBI guidelines. The NBFC will avoid evergreening of loans; only genuine cases with potential turnaround will be considered for restructuring. If resolution is not feasible or the borrower is uncooperative, the NBFC will move towards recovery as described next.

- **Recovery and Legal Action:** For loans that remain in default with no agreeable resolution, R2P Capital may initiate appropriate **legal recovery actions**. Since the loans are largely unsecured, the recovery may involve filing for recovery through **civil suits / debt recovery tribunals**. The NBFC will follow due legal process to obtain decrees for recovery. In cases where any collateral/guarantee exists (e.g., a personal guarantee), actions will be taken under relevant laws (such as enforcing the personal guarantee through courts). If the borrower is under extreme distress, the company may also explore action under the **Insolvency and Bankruptcy Code (IBC)** by filing a case with NCLT for corporate insolvency resolution of the borrower. All recovery actions are done in compliance with regulatory requirements; for example, even though the SARFAESI Act (which allows taking possession of assets without court intervention) mainly applies to secured loans, if any loan had movable security, appropriate sections could be examined. The NBFC has an empanelled set of legal counsel to advise on recovery cases.

- **Write-off and Provisioning:** In accordance with accounting standards and RBI norms, if a loan is deemed uncollectible after all efforts, the company may decide to **write-off** the loan (either partially or fully) in its books. This is usually a last resort, after provisioning 100%. However, even after accounting write-off, the legal right to recover remains and the NBFC can continue pursuing the borrower for repayment. Every quarter, board constituted committee will review overdue and NPA accounts to decide on further provisions or write-offs.

- **Portfolio Review and Stress Testing:** On a periodic basis, the risk management team performs **portfolio reviews** to identify any concentration risks or emerging issues in the loan book. For instance, the proportion of unsecured loans (in this case 100% by design) is monitored alongside capital adequacy to ensure the NBFC holds sufficient capital against credit risk. Scenario analysis and stress testing (e.g., impact of economic downturn on the top 10 borrowers) might be conducted to assess potential increase in NPAs and provisioning needs. The findings help in adjusting credit strategy proactively.

- **Regulatory Reporting of Credit Information:** R2P Capital will report loan data to Credit Information Companies (CICs) as required (at least monthly). This includes timely reporting of any defaults, restructurings, or write-offs. Additionally, as an NBFC, it will submit NBS returns or specified **Prudential reports** to RBI, including statements of asset classification and provisions. Under the SBR disclosures, the NBFC will also disclose in its financial statements the concentration of credit and **intra-group exposures** – for example, the total amount of lending to related parties and what percentage of the overall portfolio that constitutes. Such transparency ensures regulatory oversight and market discipline.

- **Customer Service during Recovery:** Even in recovery proceedings, the NBFC maintains a humane approach. Borrowers are encouraged to communicate and, if possible, negotiate an amicable settlement (like one-time settlement) if they genuinely cannot repay fully. The company has a **Grievance Redressal** mechanism; any complaint by a borrower about recovery process or staff behaviour will be investigated promptly. We abide by the Fair Practices Code in collections – no abusive language, and only contact at prescribed times, etc. If using any recovery agents (generally less likely for corporate loans), R2P Capital will ensure they are properly trained and follow the code of conduct.

- **Post-Loan Feedback and Engagement:** After closure of loans (fully repaid cases), the NBFC provides any security release documents immediately (though mostly unsecured loans, but for any guarantees or post-dated checks, etc., appropriate no-dues confirmation is given). Feedback is taken from clients about their experience, which is used to improve processes. Good borrowers are retained for future funding needs, whereas any borrowers who exhibited issues may be tagged for caution in future.

Through diligent monitoring and a clear recovery strategy, R2P Capital aims to keep credit losses minimal and maintain asset quality. Early intervention and compliance with RBI's stressed asset resolution guidelines ensure that even if loans go bad, there is a structured attempt at recovery or resolution, thereby protecting the interests of the NBFC as well as treating borrowers fairly.

Governance, Compliance and Reporting

R2P Capital's credit activities are supported by a strong governance framework and compliance checks to ensure adherence to both internal policies and regulatory requirements:

- **Board and Senior Management Oversight:** The Board of Directors is ultimately responsible for the credit risk undertaken by the NBFC. This Credit Policy is approved by the Board and any changes must be ratified by the Board. A board constituted committee or the Board itself will periodically review the credit portfolio, including large exposures and related party loans. The Board sets the overall risk appetite – e.g., limits on portfolio size, segment concentration, etc. It also ensures that management is taking appropriate steps to enforce this policy. For related party lending, as mentioned, the Board may form a specialized committee to approve and monitor such loans. The Board will receive reports on related party transactions to ensure they are within approved limits and on normal terms. Additionally, **independent directors** on the Board can provide an extra level of scrutiny, particularly for any loans that involve conflicts of interest.

- **Internal Controls and Audit:** The NBFC will institute internal controls throughout the credit process. This includes segregation of duties – for instance, the front-line business team who liaise with borrowers are separate from the credit risk team who evaluate loans, and separate from the operations team that disburses funds. This reduces chances of fraud or oversight lapses. **Internal Audit** will periodically review compliance with the credit policy. They will check samples of loan files to ensure documentation is complete, approvals are in line with delegation, and that borrower due diligence was properly done. Particularly, **all exposures to group entities/related parties will be specifically checked by the auditors** to confirm they were granted on an arm's-length basis and approved with due authority. Any deviations or audit findings will be reported to senior management and the Audit Committee of the Board, and corrective actions will be taken.

- **Regulatory Compliance:** R2P Capital shall **comply with all RBI directives** related to lending and operations. This includes not only the SBR Master Direction 2023 but also other relevant guidelines (e.g., KYC Master Direction, Fair Practices Code, outsourcing guidelines, etc.). The policy will be updated for any new RBI circulars affecting lending – for example, if RBI issues new **exposure limits or sector-specific restrictions**, the NBFC will incorporate those. The company recognizes that RBI may from time to time impose additional conditions on NBFCs, and it is committed to complying with any such terms. The Compliance Officer will keep track of regulatory changes and ensure dissemination and implementation in the credit function.

- **Disclosures and Transparency:** In line with enhanced disclosure norms under the SBR framework, R2P Capital will make the required **public disclosures**. On a quarterly basis, key information (like liquidity risk indicators, if required, and capital ratios) will be published on the website. In the Annual Report, the company will disclose the **concentration of credit** (top borrowers), **related party transactions** and exposures (as per format – total intra-group exposures, top 20 such exposures, etc.), and any customer complaints data, among other things. The **policy on dealing with related parties** in lending is also disclosed on the website/annual report as earlier noted, to assure stakeholders that there is a framework governing such loans. These disclosures are made in the spirit of transparency and market discipline.

- **Credit Information Sharing:** As part of compliance, the NBFC is a member of credit bureaus and will share data on all borrowers with them. This not only is required by RBI (to prevent over-leveraging of borrowers across lenders) but also helps in credit appraisal when we access reports. The NBFC also checks the RBI's Central Repository of Information on Large Credits (CRILC) for any borrower that qualifies, and will report any of its exposures above the threshold to CRILC as needed.

- **Grievance Redressal:** The NBFC has a Board-approved **Grievance Redressal Policy** for customers. Though our customers are corporates, we still ensure they have channels to escalate any issues. The contact details of the Grievance Redressal Officer are provided in loan documents and on the website. If a complaint is not resolved, it can be further escalated to the NBFC's Nodal Officer or to the RBI Ombudsman under the Integrated Ombudsman Scheme. The Board reviews the status of customer grievances periodically as part of governance.

- **Training and Staff Conduct:** All staff involved in the credit process are trained in the company's credit policy and RBI regulations. They are expected to follow ethical conduct, maintaining confidentiality and integrity. The Fair Practices Code is shared with all employees to ensure they understand customer interaction guidelines. Any violation (like an employee colluding with a borrower for undue advantage) will invite strict disciplinary action.

- **Business Continuity and Risk Mitigation:** The NBFC will have contingency plans to manage credit operations under adverse conditions. For example, if there is an economic downturn, the policy allows tightening of credit criteria for new loans and focusing on collections. Stress testing results are used to plan capital and provisions buffer. The NBFC will also maintain adequate **Capital Adequacy Ratio (CAR)** as per its applicable layer's requirement (for NBFC-ML or UL it's 15%, for NBFC-BL no mandatory minimum CAR, but R2P Capital will internally endeavor to target at least 15% to be conservative). This ensures the company can absorb losses if some loans go bad, thus protecting depositors/creditors and sustaining lending capacity.

In summary, R2P Capital's credit operations are underpinned by strong governance and compliance. By making sure that lending norms are followed strictly and by being transparent with regulators and stakeholders, the NBFC not only meets its **Prudential Framework** obligations but also builds trust and credibility in the market. The Board and management are committed to upholding these standards as the business grows.

Conclusion

This Credit Policy document serves as the guiding framework for all lending activities of R2P Capital. It defines **who we lend to**, **on what terms**, and **how we manage the risks** associated with lending, in line with RBI's SBR Directions, 2023 and other applicable regulations. The policy balances business growth objectives with prudential norms to ensure the NBFC remains healthy and compliant.

R2P Capital will periodically refine this policy based on operational experience, changes in the economic environment, and regulatory updates. Any revisions will be subject to approval by the Board of Directors. By adhering to the outlined lending norms and borrower criteria, the company aims to build a high-quality loan portfolio that contributes to the group's business ecosystem while maintaining financial stability. All stakeholders – employees, borrowers, regulators, and investors – can take confidence from the fact that the NBFC's credit function is governed by a robust policy that emphasizes **prudence, transparency, and fairness** in all its dealings.