

**“CREDIT POLICY”**

**of**

**GSB FINANCE LIMITED**

**GSB FINANCE LIMITED**

**“CREDIT POLICY”**

**TABLE OF CONTENTS:**

<b>SR. NO.</b>	<b>PARTICULARS</b>	<b>PAGE NO.</b>
1.	Objective and scope of this Policy	3
2.	Business Strategy and Business Operations	3-4
3.	Purpose of Credit	4
4.	Customer Selection	4
5.	Credit Underwriting	4
6.	Tenor	5
7.	Determination of Interest Rates	5-7
8.	Customer Journey	7
9.	Pre-Approved Customers	7
10.	General Information	8
11.	Reporting to CICs	8
12.	Periodic Updation	8

## **1. OBJECTIVE AND SCOPE OF THE POLICY:**

- i. GSB Finance limited (Company) is registered with Reserve Bank of India (RBI) as a non-deposit accepting NBFC. Being an NBFC, it has to comply with Guidelines / Directions issued by RBI from time to time. The Company's Credit Policy is the framework, which defines the principles for its lending business. The Company shall duly implement and keep the Credit Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, corporate or other legal requirements.
- ii. The objectives of this Policy are as below:
  - a. To create a set of standardized policies and procedures for the lending activities of GSB Finance Limited.
  - b. To institute due diligence for mitigating level of credit risks and improve credit quality.
  - c. To define overall risk appetite.
  - d. To establish underwriting framework- including maximum credit limits, risk limits, etc.
  - e. To ensure thorough Credit appraisal and proper monitoring of all outstanding Credits. This includes both; supervision of outstanding Credits as well as recovery of overdue Credits.
  - f. This Credit policy provides an overall description of all stages of the lending process.
- iii. In pursuing its business, GSB Finance Limited will operate according to the highest ethical and compliance standards and constantly seek to follow best practices in the industry. Under no circumstances will contravention of laws and relevant regulations would be tolerated.

## **2. BUSINESS STRATEGY AND BUSINESS OPERATIONS:**

- i. GSB Finance Limited business operations need to be financially sustainable i.e., all expenses shall have to be met from interest income. The Company may give loan to any Body Corporate(s), firm(s), Individuals, etc.
- ii. **Business Segments**
  - Corporate Lending: The Company can further extend Credits to any Body Corporate(s), firm(s), non-individual entities.
  - Other Segments / Credit Products: The Committee can further determine product parameters for retail lending and set limits on total book size for each product. The Credit policy has been framed in line with the Fair Practices Code prescribed by RBI.
- iii. **Sanctioning Authority**
  - Board of Directors (herein after referred to as 'Authority' or 'the Board') shall be the sanctioning authority. Authority may approve the proposal from any other sector on case-to-case basis covering the entire spectrum of aspects viz. Purposes, size, interest rate, term, repayment terms, and security required and any other conditions will be as decided by the

Board.

- The sanctions accorded by the Board shall be placed before their ensuing meeting for the purpose of review and ratification.
- The Board may directly approve any particular Credit or any other feature of the Policy.

### **3. PURPOSE OF CREDIT:**

- i. The Company extend the credits to corporate (non-individual entities) or individuals for their business needs within the risk appetite and regulatory framework.

### **4. CUSTOMER SELECTION:**

- i. Loans are only given to any Body Corporate(s), firm(s), non-individual entities, individuals who are financially sound and have never defaulted with any financial institution(s).

### **5. CREDIT UNDERWRITING:**

The process from the receipt of customers' request and communication of the final approval of facility will be as under:

#### **i. Credit Approval process:-**

The process will start from the receipt of customers' request and the processing of same, including approval of the credit facility. The process ends with the communication of an approval of facility to the customer through a term sheet/sanction letter.

- **Credit Application:** The customer shall submit a form either at offline or online touch-points to inform the Company regarding the interest in a certain Credit product.
- **KYC Document Verification:** The documents submitted by the customer will be required to be analyzed either using competent technological or human resources.
- **Credit Appraisal:** This step involves arriving at a decision to provide the Credit or not. GSB Finance Limited shall require additional documents such as income statement, PAN, Form16 or other considered necessary from the customer.

#### **ii. Final decision on Sanction:**

The final decision to provide the Credit or not will remain with GSB Finance Limited after all the previous steps.

Since the major focus in retail Credits shall be unsecured Credits, the underwriting shall be strengthened such that Credits shall only be granted after the ability and intention to pay of the individual/corporate is assessed to an extent as much as possible. Unconventional sources such as alternative data modelling to arrive at the credit worthiness of the individual can also be used.

#### **iii. Processing Fee:-**

GSB Finance Limited has decided to charge a processing fee at applicable rates from time to time. Any revision in these charges would be implemented on prospective basis with due

communication to customers. These charges would be decided upon by the respective business / Function heads in consultation with Operations, Finance, Compliance and Legal Heads.

**iv. Other Charges:-**

The below charges shall be as applicable for each product line.

- Prepayment Charges/Credit Foreclosure
- Additional Interest on late payment
- PDC/ECS swap charges
- Credit cancellation charges
- EMI Bounce charges
- Legal charges

**6. TENOR:**

The retails Credits shall be granted for a tenor of not more than 10 years.

Besides the above, in order to gainfully utilize the deployable funds, the Company shall make a short-term deposit / Credit including inter corporate deposits for a period not exceeding one year. The maximum period credit facilities shall not exceed 10 years from the date of disbursement of the Credit.

**7. DETERMINATION OF INTEREST RATES:**

- i. The base interest rate comprises of the cost of funds, operational costs and the minimum rate of return desired. The further spread will take into account the factors in the creditworthiness of the customer in the form of risk premium.
- ii. Other relevant factors have been enumerated below:
  - Interest shall be accrued and charged periodically but not less than monthly rests. Fees/ charges may be levied upfront or at other specific intervals as per the agreed terms and conditions.
  - Some fees or commissions may have to be paid before the commencement of a facility; the customer shall be required make advance payment of such funds to GSB Finance Limited.
  - In all cases, the effective interest rate shall be clearly communicated to the customers, all fees, commissions, interest rates and their calculations shall be transparent and explained in a manner that could be understood by the customers, and the duplicate term sheet duly signed shall be obtained from the borrowers in token of acceptance of the terms and conditions of the facility.
  - Interest Rate policy will be reviewed periodically to take into account market forces, inflation and risk factors.
  - Interest rate structure may vary among borrowers depending upon the risk factors & need for achieving operational & financial sustainability. The Credit Authority will go through the rate recommended and give approval in all such cases.
  - The sanctioning authority shall record specific reasons in writing at the time of sanctioning Credits, in case no interest is stipulated or a moratorium for principal or interest is granted for

any period.

**iii.** The rate of interest shall majorly depend on three overarching major factors:

**(a) Company factors:**

- Operational costs: This would include the cost of using manpower for applicant's checks and document processing/verification, and if any face-to-face interaction is required.
- Technology costs would also be factored in.
- Forecasting and planning objectives: GSB Finance Limited shall have an Annual operating Plan with certain Return on equity/Return on Assets targets. Thus, the interest rate would have a margin for fulfilment.

**(b) Customer Factors based on the risk categorization (low, medium, high) of the customer:**

- Credit Bureau rating: All customers with existing trade lines shall be partly evaluated on the basis of their credit score. A cut-off score shall be defined with risk categorization and associated interest rates.
- Customer history: If a customer already has a Credit account with GSB Finance Limited, the performance of the individual on the existing repayments shall be evaluated. This is also a subset of the credit score.
- Applied Amount and Tenor of the Credit: The interest rate shall also factor in the amount of Credit and the number of months that the Credit shall be repaid in.

**(c) External Factors:**

- Possibility of linkage of Credit rates with benchmarked rates
- Competition Credit Rates: GSB Finance Limited shall be mindful of the interest rates charged by its peer group companies for the benefit of the customer as well as for being ahead of the curve in terms of sound business sense.

**(d) Other Important factors:**

- The rate of interest shall be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- There shall be an update whenever there is a change in the rates of interest.

**(e) Repayment:**

The Credit may be repayable in one or more instalments as per the terms agreed upon. However, the cut-off date for repayment may be extended by the sanctioning authority for any particular case. Where such cut-off date for repayment is extended beyond a period of one year from the due date, the sanctioning authority shall record specific reasons in writing for such extension.

**(f) Security:**

For secured Credits, the borrower shall, in consideration of the Credit given, create such security in favour of the Company as stipulated by it, including a demand promissory note, wherever applicable.

**(g) Collaterals:**

In case it is felt necessary to strengthen the credit worthiness of the borrower, a co- borrower / guarantor may be considered.

**8. CUSTOMER JOURNEY:**

GSB Finance Limited, shall have two ways in which the customer can reach out for the services.

1. **Independent through Web:** This shall be through the website (web-app).
2. **Assisted through web/offline:** This shall be in both online and offline modes (in affiliated stores) and branches, if any, opened in future.

**9. PRE-APPROVED CUSTOMERS:**

In this case, GSB Finance Limited may approach the customer based on the determined credit worthiness from alternative sources of data obtained via application permissions, credit bureau and enabling the decision engine to identify customers.

This would then simply be a consent to the offer made by GSB Finance Limited. From acceptance of the offer to actual disbursement, it could be independent or assisted.

**10. GENERAL INFORMATION:**

- i. All customers shall be informed in detail regarding the features, terms and conditions including all charges of the Credit before the sourcing of the application. In case of credit facility availed over online or telephonic mode, no Credit application shall be processed without a written consent from the customer.
- ii. GSB Finance Limited shall not discriminate the sanctioning of Credits based on gender, caste or religion. However, it may choose to develop lending schemes for specific sections of the society.
- iii. After the sanction of the Credit, the Credit terms and conditions, sanctioning letter, repayment schedule and all other such relevant documents shall be sent in any chosen mode and explained

to the customer.

- iv. Endeavour shall be made to inform the customer regarding status of the account prior to it turning into an NPA

#### **11. REPORTING TO CICS:**

GSB Finance Limited shall ensure submission and updation of credit information for its borrowers regularly to all the Credit Information Companies (CICs) on a monthly basis or at shorter interval.

#### **12. PERIODIC UPDATION:**

The Credit Policy shall be reviewed annually or as and when required necessary.



[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]